



Item #6.

Staff Report 130A-18

TO: Mayor and City Council
FROM: Eric Holmes, City Manager
DATE: 10/1/2018

SUBJECT Vancouver Police Department 2016-2020 Staffing Plan – Revenue replacement plan

Key Points

The attached ordinance would repeal and replace the per square foot and per multi-family unit Business License Surcharge (“new surcharges”) currently scheduled to go into effect on 1/1/2019 with a combination of utility tax increase on City-owned utilities and expansion of the per FTE Business License Surcharge and the business license fee. Specifically, this ordinance will:

- Phase in an elimination of the four hundred (400) employee cap on the number of employees subject to the FTE business license surcharge (VMC 5.04.095);
- Reduce exemptions from the business license fee, while maintaining the current exemptions for the business license surcharge for select not-for-profit organizations. (VMC 5.04.075)
- Increase the base business license fee from \$125/year to \$200/year, effective January 1, 2019.
- Repeal provisions related to the indoor space license fee surcharge on retail, commercial, industrial space and residential units, effective January 1, 2019. (VMC 5.04.096)
- Increase the gross receipts tax on water, sewer, storm/surface water and solid waste by 2.4% effective January 1, 2019, and by another 1.6% effective January 1, 2020. (VMC 5.92.010, 5.93.010, and 5.94.030)
- Increase water, sewer, surface water, and solid waste rates to reflect the new utility tax rates, effective January 1, 2019, and January 1, 2020 (VMC 14.04.210, 14.04.230, 14.09.060, 6.12.208, 6.12.209, 6.12.210, 6.12.211 and 6.12.212).

These changes were contemplated as part of the adoption of Ordinances M-4192 and M-4193.

Strategic Plan Alignment

N/A

Present Situation

In February 2017 the City Council adopted a revenue and staffing package (herein referred to as “resourcing package”) to support an increase in sworn and civilian positions that would close identified gaps in key service areas of the Vancouver Police Department (VPD). The resourcing package is intended to add 42 sworn and 19 civilian positions to VPD by 2020.

The package was designed to be implemented over a 5-year period, with staffing increases generally matched with a concurrently phased in set of revenues. The package was adopted based on Community Resource Team recommendations, which were developed through a broad-based, inclusive community engagement effort over the preceding 10 months.

This revenue package adopted by City Council included a \$20 increase in the existing per FTE business license surcharge (to a total of \$90 per FTE per year), a 3.4% increase to the utility tax rate on City-owned utilities (sewer, water, drainage, garbage) and a new indoor space business license fee surcharge for retail, commercial and industrial businesses and a per-unit surcharge for leased multi-family residential units. The new business license surcharges (per square foot and per multi-family unit) were approved to become effective on 1/1/2019, while other funding components of the package have already been implemented. Of the total combined resources dedicated to police, the new business license surcharges represent \$6.1 million in annual revenue. This dollar amount included the costs for the City to administer the new tax, which was estimated to be approximately \$0.25 million annually; the net revenue dedicated to police would have been approximately \$5.8 million.

The Council action to adopt a multi-year funding package for police included legislative intent to consider alternative funding sources to the new surcharges in the context of a larger, more comprehensive plan for sustainable, stable and streamlined resourcing for all City services.

As a result, the City initiated an extensive community engagement effort in the spring of 2017 referred to as Vancouver Strong. Central to the Vancouver Strong engagement efforts is the Executive Sponsors Council (ESC), a nine-member advisory group composed of leaders from business, not-for-profit, diverse and volunteer communities. Since May 2017 the ESC has been engaged in developing a recommended comprehensive, long-term, streamlined funding solution to close identified gaps in core City services and to more fully implement the City’s strategic plan. The first actionable component of their work is the replacement revenue source for the business license surcharge portion of the original police resourcing package.

In June of 2018, the ESC presented at a Council workshop their recommendation for replacement revenue to fund police. The ESC recommendation includes replacing the per square foot and per multi-family unit surcharge with a combination of increased utility tax on water, sewer, drainage and solid waste and an expansion of the per FTE business license surcharge to cover the not-for-profit organizations, as well as eliminating the 400 FTE cap per business. Their recommendation included a recognition that Council may wish to consider phasing in implementation of the replacement revenue, as well as take into account the unique considerations of including nonprofits as subject to the FTE surcharge.

While eliminating the 400 FTE cap per business ultimately applies to a relatively small number of all businesses in Vancouver, in some instances the difference between the current cap and actual FTEs subject to the fee is substantial. By providing for a two-year phase out of the cap, the City provides a longer transition period and multiple fiscal periods for effected businesses to plan for and accommodate the change.

At the June workshop, Council expressed an interest in additional engagement with the nonprofit sector to gather feedback on the recommendation to include them as subject to the surcharge. Council was further interested in additional phasing scenarios of the proposed fee and surcharge. On September 10, 2018, three additional scenarios of generating the replacement revenue for the police resourcing package were presented to Council. All three scenarios preserved the main replacement revenue principles as presented by the Vancouver Strong Executive Council. Those principles included:

- Expanding the base of the current business license surcharge to the greatest extent possible;
- Closing the remaining gap through a utility tax increase; and
- Considering phasing options to ease implementation.

Council supported the scenario that increased the business license fee from the current \$125 to \$200 per year, reduced exemptions from the business license fee while maintaining the current exemptions from the business license surcharge, and removed the cap on the number of FTEs per company subject to the business license surcharge over a two year period. The scenario also maintained a utility tax increase of 4% over the two-year time period.

The proposed ordinance reflects changes to the respective ordinances in accordance with the above mentioned scenario: a phasing proposal, with the cap of FTEs per business being increased from 400 to 799 per company in year 2019, and removing the cap in 2020; an increase in the business license fee per company or nonprofit organization per year from \$125 to \$200; and reduction in exemptions from the business license fees. The City would also utilize a combination of its undesignated General Fund in 2019 to offset the lost revenue in 2019. The utility tax increase on water, sewer, drainage and solid waste is recommended at 2.4% in 2019 and an additional 1.6% in 2020.

In addition to the changes above, the 2017 Washington State Legislature passed a law requiring cities with business licenses to administer their business license program through the state's Business Licensing System by 2022 or File Local by 2020 and to adopt the model ordinance by October 17, 2018. The model ordinance includes a mandatory definition of "engaging in business" and a minimum threshold exception to establish when out-of-town or transient businesses are required to be licensed. The City is already administering its business license program through File Local and has current provisions compliant for the most part with the model ordinance. The model ordinance has recommended including a \$2,000 threshold level, or higher, per year for out-of-city businesses. The city's current limit is \$12,000 per year. The proposed ordinance brings the City in compliance with the model ordinance, but does not recommend changing income thresholds.

Advantage(s)

- The proposed changes to funding of the increase in police services would replace the cumbersome and complex to administer BLS per square foot and per multi-family unit with a combination of revenues that are significantly easier to administer for both the City and payers. In addition, the expansion of the base that pays the surcharge adds equity and resilience to this particular revenue stream.
- Not-for-profit 501c(3) organizations will remain exempt from paying a per FTE business license surcharge.
- The proposed replacement revenue will continue to support increased staffing levels in Police.

Disadvantage(s)

- The proposed changes would result in not-for-profit organizations having to pay the annual business license fee.
- In general, the cost of water, sewer, drainage and solid waste will increase due to the increase in the utility tax on these utilities.

Budget Impact

None. The proposal would replace one revenue stream with an alternate stream resulting in no net change in resources.

Prior Council Review

- Council retreat - February 23, 2018
- Council workshop on recommended package - June 18, 2018
- Council workshop on further refinement of the recommendations - September 10, 2018

Action Requested

On October 1, 2018, subject to second reading and public hearing, approve ordinance.

Natasha Ramras, Chief Financial Officer, 487-8484

ATTACHMENTS:

- ▣ Ordinance
- ▣ ESC Recommendation Memo dated June 11, 2018

09/24/18
10/01/18

ORDINANCE M-4239

AN ORDINANCE amending Vancouver Municipal Code (VMC) Sections 5.04.020, 5.04.075, 5.04.090, 5.04.095, 5.92.010, 5.93.010, 5.94.030, 14.04.210, 14.14.230, and 14.09.060 to amend business license fee limitations and exemptions; to increase water, sewer, and stormwater rate and taxes; and to increase solid waste taxes to fund additional police protection services; and repealing Section 5.04.096 business license fees based on square footages for commercial, industrial, and multi-family residential rental properties; providing for savings, severability, ratification, and an effective date.

WHEREAS, the City business license fee provided for under VMC 5.04.095 is for purposes of revenue, and not regulatory purposes; and

WHEREAS, the City Council in 2016 appointed a 20-member Community Resource Team (CRT), representing community, business, faith organizations, neighborhoods and the City Council, whose charter was to develop sustainable approach to funding an increase in police service level between 2017 and 2020. The CRT recommended imposing a per square foot business license surcharge on retail, commercial and industrial properties and per multi-family unit business license surcharges on multi-family dwellings over four units to fund a large portion of the new revenue. and

WHEREAS, City Council, pursuant to the recommendations in the report of the CRT, adopted two ordinances M-4192 making changes to the City business license tax ordinance and M-4193 making changes to the City utility tax ordinance; and

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WHEREAS, the local businesses and housing community has requested the Council to replace the per square foot license and per multi-family unit surcharge with an alternate revenue source and simplify the business license surcharge tool; and

WHEREAS, after adoption of 2017 business license and utility ordinances, the City Council initiated the Vancouver Strong process to engage the community in a discussion about a comprehensive, long term structural solution to funding the city's capital and service needs; and

WHEREAS, the Vancouver Strong Executive Sponsors Council, reviewed the funding mechanisms approved by the City Council to support police services and recommended a simpler way to raise the needed revenue; and

WHEREAS, the Vancouver Strong Executive Sponsors Council recommended elimination of the per square foot business license surcharges and per multi-family unit business license surcharge and replacement of the lost revenue by an increase in the utility tax and elimination of certain exemptions and limitations to the employee business license surcharge; and

WHEREAS, Council modified the Vancouver Strong Executive Sponsors Council recommendations based on the feedback received; and

WHEREAS, the revenue-raising purpose for businesses license surcharge does not require precision in making classifications but does require a rational basis in establishing fees among different classes of taxpayers; and

WHEREAS, Council has exempted non-profits from paying the business license fee and the surcharge in the past to support such non-profits charitable purpose and because such non-profits are typically small organizations and the surcharge will be an administrative and financial burden on them; and

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WHEREAS, Council believes, however, that the non profit organizations should contribute to sharing the costs of enhanced police services.

NOW, THEREFORE,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF VANCOUVER:

SECTION 1. Legislative Findings. The recitals set forth above are adopted as the legislative findings of the City Council of the City of Vancouver in support of adoption of this ordinance.

SECTION 2. Vancouver Municipal Code Section 5.04.020 as last amended by M-4192 is amended to read as follows:

Section 5.04.020 Definitions.

In construing the provisions of this chapter, except where otherwise declared or clearly apparent from the context, the following definitions shall be applied:

- a. "Tax" or "taxable year" means either the calendar year or the taxpayer's fiscal year when permission is obtained from the Director of Financial & Management Services to use a fiscal year in lieu of the calendar year.
- b. "Person" or "company," herein used interchangeably, means any person, individual, receiver, assignee, trustee in bankruptcy, trust, estate, firm, copartnership, joint venture, club, company, joint stock company, business trust, corporation, association, society, or any group of individuals acting as a unit, whether mutual, cooperative, fraternal, nonprofit or otherwise, and also includes the United States or any instrumentality thereof, provided a valid tax may be levied upon or collected there from under the provisions of this chapter.
- c. "Sale" includes the exchange of property as well as the sale thereof for money; and also includes conditional sales contracts, leases with option to purchase and any other contract

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under which possession of the property is given to the purchaser but title is retained by the vendor as security for the payment of the purchase price. It shall also be construed to include the furnishing of food, drink, or meals for compensation, whether consumed upon the premises or not.

- d. "Gross proceeds of sales" means the value proceeding or accruing from the sale of tangible personal property and for services rendered without any deduction on account of the cost of property sold, the cost of materials used, labor costs, interest, discount paid, delivery costs, taxes or any other expense whatsoever paid or accrued and without any deduction on account of losses.
- e. "Gross income of the business" means the value proceeding or accruing by reason of the transaction of the business engaged in and includes gross proceeds of sales, compensation for the rendition of services, gains realized from trading in stocks, bonds, or other evidences of indebtedness, interest, discount, rents, royalties, fees, commissions, dividends and other emoluments however designated, all without any deduction on account of the cost of tangible property sold, the cost of materials used, labor costs, interest, discount, delivery costs, taxes or any other expense whatsoever paid or accrued and without any deduction on account of losses.
- f. "Value proceeding or accruing" means the consideration, whether money, credits, rights or other property expressed in terms of money, actually received or accrued. The term shall be applied, in each case, on a cash receipts or accrual basis according to which method of accounting is regularly employed in keeping the books of the taxpayer. The Director of Financial & Management Services may provide by regulation that the value proceeding or

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accruing from sales on the installment plan under conditional contracts of sale may be reported as of the dates when the payments become due.

- g. "Extractor" means every person who, from his own land or from the land of another under a right or license granted by lease or contract, either directly or by contracting with others for the necessary labor or mechanical services, for sale or commercial use, mines, quarries, takes or produces coal, oil, natural gas, ore, stone, sand, gravel, clay, mineral or other natural resource product, or fells, cuts or takes timber or other natural products, or takes, cultivates, or raises fish, shellfish or other sea or inland water foods or products.
- h. "Manufacturer" means every person who, either directly or by contracting with others for the necessary labor or mechanical services, manufactures for sale or for commercial or industrial use from his own materials or ingredients any articles, substances, or commodities. When the owner of equipment or facilities furnishes or sells to the customer prior to manufacture, all or a portion of the materials that become a part or whole of the manufactured article, the Director of Financial & Management Services shall prescribe equitable rules for determining tax liability.
- i. "To manufacture" embraces all the activities of a commercial or industrial nature wherein labor or skill is applied, by hand or machinery, to materials so that as a result thereof a new, different or useful article of tangible personal property is produced for sale or commercial or industrial use and shall include the production or fabrication of special-made or custom-made articles.
- j. "Business" includes all activities, engaged in with the object of gain, benefit or advantage to the taxpayer or to another person or class, directly or indirectly.

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k. "Engaging in business" means ~~commencing, conducting or continuing in business, leasing or renting living space to residential tenants, and also the exercise of corporate or franchise powers as well as liquidating a business when the liquidators thereof hold themselves out to the public as conducting such business.;~~

1. Commencing, conducting, or continuing in business, and also the exercise of corporate or franchise powers, as well as liquidating a business when the liquidators thereof hold themselves out to the public as conducting such business.
2. This section sets forth examples of activities that constitute engaging in business in the City, and establishes safe harbors for certain of those activities so that a person who meets the criteria may engage in de minimus business activities in the City without having to pay a business license fee. The activities listed in this section are illustrative only and are not intended to narrow the definition of "engaging in business" in subsection (1). If an activity is not listed, whether it constitutes engaging in business in the City shall be determined by considering all the facts and circumstances and applicable law.
3. Without being all inclusive, any one of the following activities conducted within the City by a person, or its employee, agent, representative, independent contractor, broker or another acting on its behalf constitutes engaging in business and requires a person to register and obtain a business license.
 - a) Owning, renting, leasing, maintaining, or having the right to use, or using, tangible personal property, intangible personal property, or real property permanently or temporarily located in the City.

- b) Owning, renting, leasing, using, or maintaining, an office, place of business, or other establishment in the City.
- c) Soliciting sales.
- d) Making repairs or providing maintenance or service to real or tangible personal property, including warranty work and property maintenance.
- e) Providing technical assistance or service, including quality control, product inspections, warranty work, or similar services on or in connection with tangible personal property sold by the person or on its behalf.
- f) Installing, constructing, or supervising installation or construction of, real or tangible personal property.
- g) Soliciting, negotiating, or approving franchise, license, or other similar agreements.
- h) Collecting current or delinquent accounts.
 - i) Picking up and transporting tangible personal property, solid waste, construction debris, or excavated materials.
- (j) Providing disinfecting and pest control services, employment and labor pool services, home nursing care, janitorial services, appraising, landscape architectural services, security system services, surveying, and real estate services including the listing of homes and managing real property.
- (k) Rendering professional services such as those provided by accountants, architects, attorneys, auctioneers, consultants, engineers, professional athletes, barbers, baseball clubs and other sports organizations, chemists, consultants, psychologists,

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court reporters, dentists, doctors, detectives, laboratory operators, teachers, veterinarians.

- (l) Meeting with customers or potential customers, even when no sales or orders are solicited at the meetings.
 - (m) Training or recruiting agents, representatives, independent contractors, brokers or others, domiciled or operating on a job in the City, acting on its behalf, or for customers or potential customers.
 - (n) Investigating, resolving, or otherwise assisting in resolving customer complaints.
 - (o) In-store stocking or manipulating products or goods, sold to and owned by a customer, regardless of where sale and delivery of the goods took place.
 - (p) Delivering goods in vehicles owned, rented, leased, used, or maintained by the person or another acting on its behalf.
- (4) If a person, or its employee, agent, representative, independent contractor, broker or another acting on the person's behalf, engages in no other activities in or with the City but the following, it need not register and obtain a business license.
- (a) Meeting with suppliers of goods and services as a customer.
 - (b) Meeting with government representatives in their official capacity, other than those performing contracting or purchasing functions.
 - (c) Attending meetings, such as board meetings, retreats, seminars, and conferences, or other meetings wherein the person does not provide training in connection with tangible personal property sold by the person or on its behalf. This provision does not apply to any board of director member or attendee engaging in business such as a member of a board of directors who attends a board meeting.
 - (d) Renting tangible or intangible property as a customer when the property is not used in the City.

(e) Attending but not participating in a "trade show" or "multiple vendor events".

Persons participating at a trade show shall review the City's trade show or multiple vendor event ordinances.

(f) Conducting advertising through the mail.

(g) Soliciting sales by phone from a location outside the City.

(5) A seller located outside the City merely delivering goods into the City by means of common carrier is not required to register and obtain a business license, provided that it engages in no other business activities in the City. Such activities do not include those in subsection (4).

The City expressly intends that engaging in business include any activity sufficient to establish nexus for purposes of applying the license fee under the law and the constitutions of the United States and the State of Washington. Nexus is presumed to continue as long as the taxpayer benefits from the activity that constituted the original nexus generating contact or subsequent contacts.

- l. "Cash discount" means a deduction from the invoice price of goods or charge for services which is allowed if the bill is paid on or before a specified date.

- m. "Tuition fee" includes library, laboratory, health service and other special fees, and amounts charged for room and board by an educational institution when the property or service for which such charges are made is furnished exclusively to the students or faculty of such institution; provided, that the term "educational institution," as herein used, shall be construed to mean only those institutions created or generally accredited as such by the state and offering to students an educational program of a general academic nature, or those institutions which are not operated for profit and which are privately endowed under a deed of trust to offer instruction in trade, industry and agriculture, but not including specialty schools, business colleges, trade schools or similar institutions.

- n. "Successor" means any person who shall, through direct or mesne conveyance, purchase or succeed to the business, or portion thereof, or the whole or any part of the stock of goods, wares or merchandise or fixtures or any interest therein of a taxpayer quitting, selling out, exchanging or otherwise disposing of his business. Any person obligated to fulfill the terms of a contract

shall be deemed a successor to any contractor defaulting in the performance of any contract as to which such person is surety or guarantor.

- o. "Taxpayer" includes any individual, group of individuals, corporations or associations required to have a business license hereunder, or liable for any license fee or tax, or for the collection of any license fee or tax hereunder, or who engages in any business, or who performs any act, service, or labor receiving wages, salary, commission or other compensation having monetary value.
- p. Words in the singular number include the plural, and the plural include the singular. Words in one gender include the other gender also.
- q. "Quarterly period" means the three-month period beginning on the first day of either the first, fourth, seventh or tenth month of any given year and ending on the last day of the third, sixth, ninth or twelfth month thereof.
- r. "City" means the City of Vancouver.

SECTION 3. Vancouver Municipal Code Section 5.04.075 as last amended by M-4192 is amended to read as follows:

Section 5.04.075 Exemptions - Review by director.

(1) The following persons and organizations shall be exempt from paying the base business license fee and the business license fee surcharge, provided that they seek and obtain review and approval of same from the Director of Financial and Management Services or his or her designate and

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are issued a determination of exemption, as set forth in this chapter: ~~VMC 7 of this amendatory ordinance.~~

A. Gross receipts threshold. A person who generates less than twelve thousand (\$12,000) dollars of ~~average~~ annual gross receipts from engaging in business within the city.

B. Governmental entities. A governmental entity engaging the exercise of governmental functions.

C. A nonprofit organization created for fund-raising activities only, that meets all of the following criteria:

(i) An organization exempt from tax under section 501(c) (3), (4), or (10) of the Federal Internal Revenue Code (26 U.S.C. Sec. 501(c) (3), (4), or (10)); and

(ii) The members, stockholders, officers, directors, or trustees of the organization who do not receive any part of the organization's gross income, except as payment for services rendered; and

(iii) The compensation received by any person for services rendered to the organization does not exceed an amount reasonable under the circumstances; and

(iv) The activities of the organization do not include a substantial amount of political activity, including but not limited to influencing legislation and participation in any campaign on behalf of any candidate for political office; and

(iv) The activities of the organization solely include “fund-raising activities”, including soliciting or accepting contributions of money or other property or activities involving the anticipated exchange of goods or services for money between the soliciting organization and the organization or person solicited, for the purpose of furthering the goals of the nonprofit organization.

~~E.~~ D. Casual or isolated sales. A person who engages only in casual and isolated sales, which means a sale made by a person who is not engaged in the business of selling the type of property involved. Persons who hold themselves out to the public as making sales at retail or wholesale are

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deemed to be engaged in business, and sales made by them of the type of property which they hold themselves out as selling are not casual or isolated sales even though such sales are not made frequently.

E. For purposes of the license by this chapter, any person or business whose annual value of products, gross proceeds of sales, or gross income of the business in the city is equal to or less than \$12,000, and who does not maintain a place of business within the city, shall submit a business license registration to the Director or designee. The threshold does not apply to regulatory license requirements or activities that require a specialized permit.

(2) The following persons and organizations shall be exempt from paying the business license fee surcharge only, provided that they seek and obtain review and approval of same from the Director of Financial and Management Services or his or her designate and are issued a determination of exemption

A. Nonprofits and certain organizations exempt from federal income tax including but not limited to:

1. Religious. A nonprofit business operated exclusively ~~for a religious purpose~~ as a place of worship.
2. Civic, service and social organizations. Civic groups, service clubs, and social organizations that are not engaged in any profession, trade, calling, or occupation, but are organized to provide civic, service, or social activities.
3. Certain Organizations Exempt from Federal Income Tax. An organization that files with the city a copy of its current IRS 501(c)(3) exemption certificate issued by the Internal Revenue Service and which does not generate revenues from retail sales or services.

F.B State or federal preemption. A person whose business activities are exempt from business licensing due to preemption by state or federal law.

G.C Medicaid funded nursing and boarding homes. Nursing homes licensed under Chapter 18.51 RCW and boarding homes licensed under Chapter 18.20 RCW which provide care under contract with the department of social and health services to persons who are Medicaid recipients.

~~G. Publicly funded multi-family housing, of more than one unit per facility, specifically provided for persons earning less than 60% of the Area Median Income (AMI) calculated annually by the United States Department of Housing and Urban Development for the Portland-Vancouver-Hillsboro metropolitan statistical area and adjusted based on household size, including senior and disabled persons.~~

SECTION 4. Vancouver Municipal Code Section 5.04.090 as last amended by Ordinance M-4091 is amended to read as follows:

Section 5.04.090 Business license required.

Except as provided in this chapter, no person shall engage in any business or activity in the city without having first obtained and being the holder of a valid and subsisting license so to do, to be known as a business license, issued under the provisions of this chapter, as hereinafter provided, and without paying the license fee or tax imposed by this chapter, if any; provided that those Persons exempted by VMC 5.04.075 (1) shall not be required to pay a license fee. Payment of the license fee, shall accompany the application for the license. Such license shall expire on the last day of the month which is one calendar year from the day it was issued. The license may be prorated to match existing expiration dates. A new license and fee shall be required for each year. Application for the license shall be made to and issued by the City Manager or his designee on forms provided by him.

The license shall be personal and nontransferable.

There shall be a separate business license for each separate locate at which business is transacted.

For business licenses issued or renewed on or after January 1, 2007-2019, the annual base business license fee shall be a flat fee of ~~one hundred twenty five (\$125)~~ two hundred (\$200) dollars for each separate location at which business is transacted.

Each license shall be numbered, shall show the name, place and character of business of the taxpayer, such other information as the city manager or his designee deems necessary, and shall at all times be conspicuously posted in the place of business for which it is issued. Where a place of business of the taxpayer is changed, the taxpayer shall return such license to the City Manager or his designee, and a new license shall be issued for the new place of business free of charge.

A Business License Application must be filed with the State Department of Revenue Business Licensing Service to apply for a City business license. Special licenses may be issued by the City of Vancouver Finance Department. A business license does not authorize illegal activities.

No person to whom a license has been issued pursuant to this chapter shall allow any person for whom a separate license is required to operate under or to display his license, nor shall such other person operate under or display such license.

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SECTION 5. Vancouver Municipal Code Section 5.04.095 as last amended by Ordinance M-4192 is amended to read as follows:

Section 5.04.095 Business license fee surcharge - calculation.

A. In addition to the annual base business license fee set forth in Section 1 of this ordinance and codified in VMC 5.04.090, there shall be a business license fee surcharge calculated as set forth in this section of this amendatory ordinance. The business license surcharge fee shall apply to business licenses issued or renewed after expiration on or after January 1, 2007.

B. The business license fee surcharge shall be calculated on the basis of ~~fifty~~ninety (\$~~50~~90) dollars per full-time equivalent (FTE) employee up to four hundred (400) employees, and not to exceed a total business license fee surcharge of \$20,000 per business; provided that:

1. Effective January 1, 2019~~6~~, the business license fee surcharge set forth in Subsection B above shall be applied up to a maximum of 799 FTE employees per Taxpayer until January 1, 2020 increased by ~~ten dollars (\$10) per employee, to a total of sixty dollars (\$60) per employee, up to four hundred (400) employees, and not to exceed a total business license fee surcharge of \$24,000 per business;~~ and
2. Effective January 1, 2020~~May 1, 2017~~, the business license fee surcharge set forth in Subsection B and Subsection B.1 above shall be applied to all FTE employees of the Taxpayer. ~~increased by an additional 20 (\$20) dollars per employee, to a total of eighty dollars (\$80) per employee up to four hundred employees, and not to exceed a total business license fee surcharge of \$32,000 per business. Revenues from this increase shall be used to fund police staffing and associated services consistent with the recommendations from the Community Resource Team, presented to the Council on December 12, 2106~~ 2016.
3. ~~Effective January 1, 2018, the business license fee surcharge set forth in Subsection B~~

~~and Subsection B.1 above shall be increased by an additional ten dollars (\$10) per employee, to a total of ninety dollars (\$90) per employee, up to four hundred (400) employees, and not to exceed a total business license fee surcharge of \$36,000 per business. Revenues from this increase for the first 400 employees per business shall be used to fund the street initiative. Revenue from this increase for employees in excess of 400 per business shall be used for funding police services.~~

3. The revenue from the business license surcharge set forth in Subsection B above shall be distributed as follows:

a.) \$70 of the surcharge assessed on the first 400 employees of the Taxpayer shall be distributed for transportation funding. The remaining \$20 of the surcharge shall be distributed for police funding;

b.) \$90 of the surcharge assessed on the employees over 400 of the Taxpayer shall be distributed to fund police staffing and associated services consistent with the recommendations from the Community Resource Team, presented to the Council on December 12, 2016.

C. Definition of “employee.” For the purposes of the per employee business license fee surcharge, the term “employee” means and includes each of the following persons who are not required by the city to have a separate city of Vancouver business license:

1. Any person who is on the business’ payroll, and includes all full-time, part-time, and temporary employees or workers; and
2. Self-employed persons, sole proprietors, owners, managers, and partners; and
3. Any other person who performs work, services or labor at the business, except:
 - a. An independent contractor who has a separate City of Vancouver business license;

b. An employee of a temporary employment agency provided that such temporary employment agency has a separate City of Vancouver business license and pays the per employee business license fee surcharge based on its own employees.

D. A person with some business activities or functions that are exempt from the basic business license fee and some that are not exempt shall pay the per employee business license surcharge based on the number of its employees that are involved in the functions or activities that are not exempt.

E. In the event that the taxpayer has a physical location within the city, the per employee business license fee surcharge shall be assessed based upon a rebuttable presumption that all of the taxpayer's employees are working within the city of Vancouver.

F. In the event that the taxpayer has no physical location within the city, the applicable per employee portion of the business license fee surcharge shall be based upon the number of employees working within the city calculated based on the total number of Full Time Equivalent (FTE) employees working within the city or, alternatively, based on the total number of hours worked by employees within the city divided by two thousand eighty (2080). The minimum applicable per employee portion of the business license fee surcharge for such taxpayer shall be the amount for one (1) employee.

G. Calculating the number of employees. In determining the amount of the per employee business license fee surcharge to be paid for the upcoming license year, the number of employees shall be the total of the following:

1. Based upon the number of worker hours or units reportable by the business to the Washington Department of Labor and Industries (L&I) in the last four (4) quarterly reports of the business.

a. Each employee who worked more than two thousand eighty hours (2080) during the

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previous four (4) quarters (including paid time off) shall be counted as one (1) employee.

b. For individual employees who worked less than two thousand eighty (2080) hours during the previous four (4) quarters, the total number of hours worked by all such employees during the previous four (4) quarters shall be added together and divided by two thousand eighty (2080). A fraction of 0.5 or over shall be rounded up.

2. For persons who are defined as employees for business license fee surcharge purposes, but for whom the business is not required to report hours to L & I, including but not limited to sole proprietors, owners, managers or partners:

a. Each such person shall be counted as one (1) employee for surcharge purposes if such person devotes more than two thousand eighty (2080) hours during the previous four (4) quarters to the business; and

b. For such persons who work less than two thousand eighty (2080) hours per year, the total number of hours worked by all such persons during the previous four (4) quarters shall be added together and divided by two thousand eighty (2080). A fraction of 0.5 or over shall be rounded up.

3. The Director of Financial and Management Services may require the business to submit copies of its L & I reports. The businesses that did not file the report may be required to file an affidavit with the City reporting hours worked or the equivalent number of employees.

H. New businesses. The per employee business license fee surcharge for a business that did not submit reports for each of the last four (4) quarters to L & I shall be based on the estimated number of employees of that business. The business shall provide its estimate of the average number of employees for the upcoming four (4) quarters. The city will determine the number of employees

that will be used in calculating the amount of the per employee business license fee surcharge. If, during the license year, the city determines that the actual number of employees is more than twenty (20%) percent different than estimated, then the amount of the per employee business license surcharge will be recalculated for the new business. If the revised per employee business license fee surcharge is higher, the business shall pay the difference within thirty (30) days after notification. If the revised surcharge is lower, then the difference will be refunded.

I. Over-reporting number of employees. A licensee may request that the city refund a portion of the per employee business license fee surcharge overpaid on the basis that the business miscounted the number of employees by more than twenty (20%) percent, resulting in payment of an excess surcharge. The request must be in writing and the city must receive the request and all supporting documentation no later than sixty (60) days after the end of the licensee's business license year in which the error was made. If the city is satisfied that the licensee paid an excess surcharge, then the city will refund the excess surcharge paid by the licensee for the immediately preceding license year.

J. Under-reporting of employees. If the city determines that the number of employees was under-reported by more than twenty (20%) at the time of application or renewal, the business shall pay the balance of the applicable per employee business license fee surcharge together with a penalty of twenty percent (20%) of such balance due. The business shall also reimburse the city for any accounting, legal, or administrative expenses incurred by the city in determining the under-reporting or in collecting the additional amounts. The Director of Financial and Management Services shall mail written notice of the amount to be paid and the business shall pay said amount to the city within thirty (30) days.

K. Waiver of Employee Surcharge. To promote business development, the City Manager may

grant a waiver of the Business License Fee Surcharge provided for herein for businesses which meet the following requirements:

1. The Business License Fee Surcharge may be waived as specified in Table 1 for an initial five-year period from the date of the company’s move or the date of expansion of an existing business. For purposes of Table 1, Median Individual Income shall be the median individual income in the Portland-Vancouver Metropolitan Statistical Area. The business owner shall commit, through a Development Agreement approved by City Council, to locate a number of new employees in conformance with the Business License Fee Surcharge Incentive in Table 1. The Development Agreement shall provide that in the event employment declines below the numbers specified in Table 1 that the fee waiver shall be reimbursed to the City.

Table 1 - Business License Fee Surcharge Incentive

Tier	Median Salary of All Business Employees	Number of New Full-Time Equivale	Annual Waiver
1	200% of Median Individual Income	200 - 249	Surcharge Waiver, \$10,000 - \$12,450 Effective January 1, 2016: Surcharge Waiver, \$12,000 - \$14,940 Effective May 1, 2017: Surcharge Waiver, \$14,000 - \$17,430 Effective January 1, 2018: Surcharge Waiver, \$16,000- \$19,920 Effective January 1. 2019: Surcharge Waiver, \$18,000- \$22,410

2	175% of Median Individual Income	250 - 299	Surcharge Waiver, \$12,500 - \$14,950 Effective January 1, 2016: Surcharge Waiver, \$15,000 - \$17,940 Effective May 1, 2017: Surcharge Waiver, \$17,500 - \$20,930 Effective January 1, 2018: Surcharge Waiver, \$20,000 - \$23,920 Effective January 1, 2019: Surcharge Waiver, \$22,500- \$26,910
3	175% of Median Individual Income	300 - 399	Surcharge Waiver, \$15,000 - \$19,950 Effective 1, 2016: Surcharge Waiver: \$18,000 - \$23,940 Effective May 1, 2017: Surcharge Waiver, \$21,000 - \$27,930 Effective 1, 2018: Surcharge Waiver: \$24,000 - \$31,920 Effective January 1, 2019: Surcharge Waiver, \$27,000- \$35,910
4	150% of Median Individual Income	400 - 499	Surcharge Waiver, \$20,000 capped Effective January 1, 2016: Surcharge Waiver: \$24,000 capped Effective May 1, 2017: Surcharge Waiver: \$28,000 capped Effective January 1, 2018: Surcharge Waiver: \$32,000 capped Effective January 1, 2019: Surcharge Waiver: \$36,000 capped
5	150% of Median Individual Income	500 - 599	Surcharge Waiver, \$20,000 capped Effective January 1, 2016: Surcharge Waiver: \$24,000 capped Effective May 1, 2017: Surcharge Waiver, \$28,000 capped Effective January 1, 2018: Surcharge Waiver \$32,000 capped Effective January 1, 2019: Surcharge Waiver: \$36,000 capped

6	125% of Median Individual Income	600 +	Surcharge Waiver, \$20,000 capped Effective January 1, 2016: Surcharge Waiver: \$24,000 capped Effective May 1, 2017: Surcharge Waiver: \$28,000 capped Effective January 1, 2018: Surcharge Waiver \$32,000 capped Effective January 1, 2019: Surcharge Waiver: \$36,000 capped
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2. For any business specified in 5.04.095(K)(1) that retains the initial additional employment provided for therein and adds 20% or greater of additional new employee-filled positions during the first five-year period, of which 75% must meet the income levels specified in 5.04.095 (K)(1), the business license surcharge shall be waived for a second five-year period; and

3. For any business specified in 5.04.095(K)(2) that retains the initial additional employment provided for in such subsection and adds 20% or greater of additional new employee-filled positions during the second 5-year period, of which 75% must meet the income levels specified in 5.04.095(K)(1), the business license surcharge shall be waived for a third five-year period.

Each business that meets this waiver will be required to apply for, or annually renew their existing business license with the State of Washington Business Licensing Service (BLS), pay their business license fee plus pay for one FTE surcharge fee at the then-current rate. Separately, the business must provide an annual report to the City of Vancouver with backup documentation demonstrating how the business met the requirements of the surcharge waiver. If the business meets the waiver requirements, the \$50 surcharge fee paid at the time of initial application or annual renewal will be refunded.

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SECTION 6. Vancouver Municipal Code Section 5.04.096 adopted by Ordinance M-4192 is hereby repealed.

~~Section 5.04.096 — Indoor Space License Fee Surcharge – Calculation.~~

~~A. Any person subject to the license required by VMC 5.04.090 shall pay, in addition to the fee set forth therein and the surcharge codified at 5.04.095, an additional business license fee surcharge as provided for herein. The business license surcharge fee shall apply to business licenses issued or renewed after expiration on or after January 1, 2019.~~

~~B. Definitions. The following definitions shall apply to this section.~~

~~1. “Commercial” means any Business activity that is not Industrial, Retail, or Residential.~~

~~2. “Indoor Space” means the area of all floors, finish wall to finish wall, included in surrounding walls of a building.~~

~~3. “Industrial” means any on-site Business activity that makes, processes, or stores a tangible thing.~~

~~4. “Operating” or “Operate” means using directly or leasing to others owned Indoor Space for Business activity.~~

~~5. “Net Square Footage” means Commercial, Industrial, or Retail Indoor Space in excess of five thousand (5000) square feet.~~

~~6. “Residential” means Indoor Space, of more than one unit, leased or rented as living quarters that include kitchen and bathroom facilities for periods of one month or longer.~~

~~7. “Retail” means any Business activity performed through direct on-premises sale to a customer.~~

~~8. “Multi-family housing” means building(s) having more than one dwelling unit designed for permanent residential occupancy.~~

~~9. “Unit” means a discreet residential area leased or rented to a Residential tenant for consideration.~~

~~C. Calculation.~~

~~1. Effective January 1, 2019, a Person Operating Retail Indoor Space shall pay an annual business license surcharge fee of \$.10 per square foot on all the Net Square Footage such person Operates in the City of Vancouver at a single or multiple locations.~~

~~B. On January 1, 2020 this fee shall increase to \$.20 per square foot.~~

~~2. Effective January 1, 2019, a Person Operating Multi Family Residential Indoor Space shall pay an annual business license surcharge fee of \$90.00 per Residential Unit Operated.~~

~~3. Effective January 1, 2019, a Person Operating Commercial Indoor Space shall pay a business license surcharge fee of \$.07 per square foot on all the Net Square Footage such person Operates in the City of Vancouver at a single or multiple locations.~~

~~B. On January 1, 2020 this fee shall increase to \$.15 per square foot.~~

~~4. Effective January 1, 2019, a Person Operating Industrial Indoor Space shall pay an annual business license surcharge fee of \$.05 per square foot on all the Net Square Footage such person Operates in the City of Vancouver at a single or multiple locations.~~

~~B. On January 1, 2020 this fee shall increase to \$.10 per square foot.~~

~~D. Exemptions. The following Persons are exempt from the Indoor Space fee provided under for under this section:~~

~~1. A Person Operating Indoor Space used for less than a consecutive 90 day period during a taxable year.~~

~~2. Any person exempt from the business license pursuant to 5.04.075.~~

~~E. Administrative Provisions.~~

~~1. The Director is authorized to adopt regulations to implement this Section.~~

~~2. The provisions of Chapter 5.87 VMC apply to this Section.~~

SECTION 7. Section 5.92.010 of the Vancouver Municipal Code as last amended by Ordinance M-4193, Section 1 is amended to read as follows:

Section 5.92.010 Tax imposed.

There is levied and there shall be collected from the water-sewer department of the City of Vancouver a tax in the amount of sixteen percent of revenue proceeding or accruing from the customer accounts in such department pursuant to VMC 14.04.210 and 14.04.230; provided, the tax is not

collected from revenue proceeding or accruing by the city from any public sewer district.

(a) The tax imposed under this section shall increase by four percent to twenty percent, effective January 1, 2009.

(b) The tax imposed under this section shall increase by one and one-half percent (1.5%) to twenty-one and one half percent (21.5%), effective January 1, 2016. This additional 1.5% utility tax shall be dedicated to funding transportation improvement projects contained in the transportation plans of the City of Vancouver, which are the City of Vancouver's Capital Facilities Plan, Transportation Improvement Plan, Pavement Management Plan, and Transportation element of the Comprehensive Plan.

(c) In addition to the increase provided for in subsection (b) the tax imposed under this section shall increase on April 1, 2017, to 24.9%. The tax imposed under this subsection 5.92.010(c) shall be used only for the purpose of funding police staffing and associated services in a manner generally consistent with the Community Resource Team recommendations dated December 12, 2016.

(d) In addition to the increase provided for in subsection (c), the tax imposed under this section shall increase on January 1, 2019 by 2.4% to 27.3%. The tax imposed under this subsection 5.92.010(d) shall be used only for the purpose of funding police staffing and associated services in a manner generally consistent with the Community Resource Team recommendations dated December 12, 2016.

(e) In addition to the increase provided for in subsection (d), the tax imposed under this section shall increase on January 1, 2020 by 1.6% to 28.9%. The tax imposed under this subsection 5.92.010(e) shall be used only for the purpose of funding police staffing and associated services in a manner generally consistent with the Community Resource Team recommendations dated December 12, 2016.

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SECTION 8. Section 5.93.010 of the Vancouver Municipal Code as last amended by the Ordinance M-4193, Section 2 is amended to read as follows:

Section 5.93.010 Tax Imposed.

There is levied and there shall be collected from the storm water utility of the City of Vancouver a tax in the amount of twenty percent of the revenue proceeding or accruing from discharges into the City's surface water drainage system pursuant to VMC 14.09.060.

~~(a)~~A. The tax imposed under this section shall increase by one and one-half percent (1.5%) to twenty-one and one half percent (21.5%), effective January 1, 2016. This additional 1.5% utility tax shall be dedicated to funding transportation improvement projects contained in the transportation plans of the City of Vancouver, which are the City of Vancouver's Capital Facilities Plan, Transportation Improvement Plan, Pavement Management Plan, and Transportation element of the Comprehensive Plan.

~~(b)~~B. In addition to the increase provided for in subsection (a) the tax imposed under this section shall increase by three and four-tenths percent (3.4%) to twenty-four and nine-tenths percent (24.9%). The tax imposed under this subsection 5.93.101(c) shall be used only for the purpose of funding police staffing and associated services in a manner generally consistent with the Community Resource Team recommendations dated December 12, 2016.

C. In addition to the increase provided for in subsection B, the tax imposed under this section shall increase on January 1, 2019 by an additional 2.4% to 27.3%. The tax imposed under this subsection 5.93.010.C shall be used only for the purpose of funding police staffing and associated services in a manner generally consistent with the Community Resource Team recommendations dated

December 12, 2016 .

D. In addition to the increase provided for in subsection C, the tax imposed under this section shall increase on January 1, 2020 by an additional 1.6% to 28.9 The tax imposed under this subsection 5.93.010.D shall be used only for the purpose of funding police staffing and associated services in a manner generally consistent with the Community Resource Team recommendations dated December 12, 2016 .

SECTION 9. Vancouver Municipal Code Section 5.94.030 as last amended by Ordinance M-4193, Section 3 is hereby amended to read as follows:

Section 5.94.030 Tax Imposed

A. In addition to the other business and license fees required by the ordinances of the city, there is levied upon all persons engaging in or carrying on a business of providing solid waste collection services, a tax equal to twenty (20%) percent of the gross income from such business in the city during the tax year as described in subsection B. herein.

1. The tax imposed under this section shall increase by one and one-half percent (1.5%) to twenty-one and one half percent (21.5%), effective January 1, 2016. This additional 1.5% utility tax shall be dedicated to funding transportation improvement projects contained in the transportation plans of the City of Vancouver, which are the City of Vancouver's Capital Facilities Plan, Transportation Improvement Plan, Pavement Management Plan, and Transportation element of the Comprehensive Plan.

2. In addition to the increase provided for in subsection (A)(1) the tax imposed under this section shall increase on April 1, 2017, to 24.9%. The tax imposed under this subsection 5.94.030(A)(2) shall be used only for the purpose of funding police staffing and associated

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services in a manner generally consistent with the Community Resource Team recommendation dated December 12, 2016.

3. In addition to the increase provided for in subsection (2), the tax imposed under this section shall increase on January 1, 2019 by 2.4% to 27.3%. The tax imposed under this subsection 5.94.010(3) shall be used only for the purpose of funding police staffing and associated services in a manner generally consistent with the Community Resource Team recommendations dated December 12, 2016 .

4. In addition to the increase provided for in subsection (d), the tax imposed under this section shall increase on January 1, 2020 by 1.6% to 28.9%. The tax imposed under this subsection 5.94.010(4) shall be used only for the purpose of funding police staffing and associated services in a manner generally consistent with the Community Resource Team recommendations dated December 12, 2016 .

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

1. The actual amount of credit losses and uncollectibles sustained by the taxpayer.
2. Any amount collected for services other than the collection of “solid waste” as defined in VMC section 5.94.010. Including, but not limited to, pass through disposal charges.
3. Any customer late fees authorized to be charged by the taxpayer.
4. Income 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 10. Vancouver Municipal Code Section 14.04.210 as last amended by Ordinance M-4193, Section 4 is hereby amended to read as follows:

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Section 14.04.210 Water service--User charges.

A. Base charge, all customer classes.

1. For all water customers, each customer shall pay a monthly base charge as follows:
Effective January 1, 2017

<u>Meter Size</u>		<u>Base Charge</u>	<u>Base Charge</u>
		<u>Inside City Limits</u>	<u>Outside City Limits</u>
a. 5/8 x 3/4 inch and under	per month	7.17	10.76
b. 3/4 inch	per month	9.50	14.24
c. 1 inch	per month	14.51	21.76
d. 1 1/2 inch	per month	26.98	40.47
e. 2 inch	per month	41.81	62.72
f. 3 inch	per month	76.65	114.97
g. 4 inch	per month	126.29	189.45
h. 6 inch	per month	250.60	375.91
i. 8 inch	per month	399.73	599.59
j. 10 inch	per month	598.44	897.66
k. 12 inch	per month	1,162.82	1,744.23

Effective April 1, 2017

<u>Meter Size</u>		<u>Base Charge</u>	<u>Base Charge</u>
		<u>Inside City Limits</u>	<u>Outside City Limits</u>
a. 5/8 x 3/4 inch and under	per month	7.49	11.25
b. 3/4 inch	per month	9.93	14.89
c. 1 inch	per month	15.17	22.75
d. 1 1/2 inch	per month	28.20	42.30
e. 2 inch	per month	43.70	65.56
f. 3 inch	per month	80.12	120.18
g. 4 inch	per month	132.01	198.03
h. 6 inch	per month	261.95	392.94
i. 8 inch	per month	417.84	626.75
j. 10 inch	per month	625.55	938.32
k. 12 inch	per month	1,215.50	1,823.24

Effective January 1, 2018

<u>Meter Size</u>		<u>Base Charge</u>	
		Inside City Limits	Outside City Limits
a. 5/8 x 3/4 inch and under	per month	7.86	11.81
b. 3/4 inch	per month	10.43	15.63
c. 1 inch	per month	15.93	23.89
d. 1-1/2 inch	per month	29.61	44.42
e. 2 inch	per month	45.89	68.84
f. 3 inch	per month	84.13	126.19
g. 4 inch	per month	138.61	207.93
h. 6 inch	per month	275.05	412.59
i. 8 inch	per month	438.73	658.09
j. 10 inch	per month	656.83	985.24
k. 12 inch	per month	1,276.28	1,914.40

Effective January 1, 2019

Effective January 1, 2019

		<u>Base Charge</u>	
		Inside City Limits	Outside City Limits
a. 5/8 x 3/4 inch and under	per month	8.25 <u>8.53</u>	12.40 <u>12.79</u>
b. 3/4 inch	per month	10.95 <u>11.31</u>	16.41 <u>16.97</u>
c. 1 inch	per month	16.73 <u>17.28</u>	25.08 <u>25.92</u>
d. 1-1/2 inch	per month	31.09 <u>32.12</u>	46.64 <u>48.18</u>
e. 2 inch	per month	48.18 <u>49.78</u>	72.28 <u>74.67</u>
f. 3 inch	per month	88.34 <u>91.26</u>	132.50 <u>136.88</u>
g. 4 inch	per month	145.54 <u>150.35</u>	218.33 <u>225.53</u>
h. 6 inch	per month	288.80 <u>298.35</u>	433.22 <u>447.52</u>
i. 8 inch	per month	460.67 <u>475.89</u>	690.99 <u>713.84</u>
j. 10 inch	per month	689.67 <u>712.46</u>	1,034.50 <u>1068.70</u>
k. 12 inch	per month	1,340.09 <u>1384.38</u>	2,010.12 <u>2076.57</u>

Effective January 1, 2020

<u>Meter Size</u>		<u>Base Charge</u>	<u>Base Charge</u>
		<u>Inside City Limits</u>	<u>Outside City Limits</u>
a. 5/8 x 3/4 inch and under	per month	8.66 <u>9.15</u>	13.02 <u>13.73</u>
b. 3/4 inch	per month	11.50 <u>12.15</u>	17.23 <u>18.22</u>
c. 1 inch	per month	17.57 <u>18.55</u>	26.33 <u>27.83</u>
d. 1-1/2 inch	per month	32.64 <u>34.48</u>	48.97 <u>51.72</u>
e. 2 inch	per month	50.59 <u>53.44</u>	75.89 <u>80.16</u>
f. 3 inch	per month	92.76 <u>97.97</u>	139.13 <u>146.96</u>
g. 4 inch	per month	152.82 <u>161.42</u>	229.25 <u>242.12</u>
h. 6 inch	per month	303.24 <u>320.31</u>	454.88 <u>480.46</u>
i. 8 inch	per month	483.70 <u>510.92</u>	725.54 <u>766.37</u>
j. 10 inch	per month	724.15 <u>764.90</u>	1086.23 <u>1147.35</u>
k. 12 inch	per month	1407.09 <u>1486.27</u>	2110.63 <u>2229.41</u>

2. The monthly base charge set in (1) does not include any charge for consumption of water.

3. The monthly base charge for any single family residential customer shall not exceed the charge set in (b) above.

B. Volume Charge (uniform volume).

1. In addition to the monthly base charge in subsection A(1), each customer shall pay the following additional charge on his/her bill, based upon the amount of water consumed per each billing period:

~~Effective January 1, 2017~~

Customer Class	Inside City Limits	Outside City Limits
Single Family:	2.02/CCF	3.03/CCF
Multi Family:	1.74/CCF	2.62/CCF
Non Profit Shelters:	0.45/CCF	0.69/CCF
Commercial⁺ and Industrial⁺:	1.74/CCF	2.62/CCF
Government⁺:	1.55/CCF	2.33/CCF

~~Effective April 1, 2017~~

Customer Class	Inside City Limits	Outside City Limits
Single Family:	2.11/CCF	3.17/CCF
Multi-Family:	1.82/CCF	2.74/CCF
Non-Profit Shelters:	0.47/CCF	0.72/CCF
Commercial ⁺ and Industrial ⁺ :	1.82/CCF	2.74/CCF
Government ⁺ :	1.62/CCF	2.44/CCF

Effective January 1, 2018

Customer Class	Inside City Limits	Outside City Limits
Single Family:	2.22/CCF	3.33/CCF
Multi-Family:	1.91/CCF	2.88/CCF
Non-Profit Shelters:	0.49/CCF	0.76/CCF
Commercial ¹ and Industrial ¹ :	1.91/CCF	2.88/CCF
Government ¹ :	1.70/CCF	2.56/CCF

Effective January 1, 2019

Customer Class	Inside City Limits	Outside City Limits
Single Family:	2.33/CCF <u>2.41/CCF</u>	3.50/CCF <u>3.61/CCF</u>
Multi-Family:	2.01/CCF <u>2.07/CCF</u>	3.02/CCF <u>3.11/CCF</u>
Non-Profit Shelters:	0.51/CCF <u>0.53/CCF</u>	0.80/CCF <u>0.80/CCF</u>
Commercial ¹ and Industrial ¹ :	2.01/CCF <u>2.07/CCF</u>	3.02/CCF <u>3.11/CCF</u>
Government ¹ :	1.79/CCF <u>1.84/CCF</u>	2.69/CCF <u>2.77/CCF</u>

Effective January 1, 2020

Customer Class	Inside City Limits	Outside City Limits
Single Family:	2.45/CCF <u>2.59/CCF</u>	3.68/CCF <u>3.88/CCF</u>
Multi-Family:	2.11/CCF <u>2.22/CCF</u>	3.17/CCF <u>3.34/CCF</u>
Non-Profit Shelters:	0.54/CCF <u>0.57/CCF</u>	0.84/CCF <u>0.86/CCF</u>

Commercial ¹ and Industrial ¹ :	2.11/CCF <u>2.22/CCF</u>	3.17/CCF <u>3.34/CCF</u>
Government ¹ :	1.88CCF <u>1.98/CCF</u>	2.82/CCF <u>2.97/CCF</u>

Note ¹: As this use is classified under Vancouver Municipal Code Title 20

2. All volume charges are computed per hundred cubic feet (CCF).

3. "Single family customer" class shall include single dwelling unit with one meter, mobile homes either on individual lots or in mobile home parks. This definition is for utility billing purposes only.

4. "Multi-family customer" class shall apply to customers with two or more living units per meter. This definition is for utility billing purposes only.

5. "Non-profit Shelter" For the purpose of applying the rates as set forth in subsection B(1) above, the term non-profit shelters shall be defined to mean a facility operated by a non-profit organization that provides clients with on site food, beds or shelter for free or at significantly below market rates.

C. Charges for Cutting Off and Restoring Service.

1. Service cut off.

a. Cutting off service for non payment. There shall be a forty dollar (\$40) charge to cut off service for nonpayment. There shall be no additional charge for restoring service after such cut-off.

b. Emergencies - cut off. No cut-off charge shall be made if service is cut off to meet an actual emergency.

c. Customer request. No cut-off charge shall be made if service is cut off at customer's request for the first such request.

2. Starting or Restoring Service.

a. For starting or restoring service at the customer's request, the charge shall be no charge for the first such request during regular working hours, and a fee of fifty dollars for each such request outside of regular office hours.

b. Altered service. If the meter or service has been altered without the written authorization of the Director Public Works or designee, the charge shall be fifteen dollars additional to all other charges in this section.

c. Multiple cut off/restoration requests. For customers who require more than one trip to the service address to cut off or restore service at their request, there shall be a fee of twenty-five dollars per each additional trip during office hours.

D. Testing Meters - Customer's Request. Schedule of meter test charges for test of a meter at the request of a customer where meter is found not defective:

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1 inch and under	\$50.00
1-1/2 inch	\$60.00
2 inch	\$60.00
3 inch	\$80.00
4 inches or more	At Cost
Meter Resets	\$50.00

Meters tested and found to be defective will be replaced at no cost to the customer for testing or for replacement.

E. Testing Meters - Other Than at Customer's Request. The city reserves the right to test meters at any time. No charge will be made to the customer for meters tested pursuant to this subsection.

F. Temporary Water Use from Hydrant fees shall be set by the Director pursuant to VMC 14.04.100.L.

SECTION 11. Vancouver Municipal Code Section 14.04.230 as last amended by Ordinance M-4193, Section 5 is hereby amended to read as follows:

Section 14.04.230 Sanitary sewer service--User charges.

A. Monthly User Charges.

~~1.~~ Residential customers. Each residential customer shall pay a monthly user charge as follows: ~~Effective~~

~~January 1, 2017~~

Customer Class	Inside City Limits	Outside City Limits
a. Single Family Residential	\$48.10 per mo. or \$4.81 CCF	\$72.20 per mo. or \$7.22 per CCF
b. Multi Family Residential	\$38.48 per mo. or \$4.81 per CCF	\$57.76 per mo. or \$7.22 per CCF
c. Non Profit Shelter	\$1.30 per CCF	\$1.95 per CCF

~~Effective April 1, 2017~~

Customer Class	Inside City Limits	Outside City Limits
a. Single Family Residential	\$50.30 per mo. or \$5.03 CCF	\$75.50 per mo. or \$7.55 per CCF

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b. Multi-Family Residential	\$40.24 per mo. or \$5.03 per CCF	\$60.40 per mo. or \$7.55 per CCF
e. Non-Profit Shelter	\$1.36 per CCF	\$2.04 per CCF

Effective January 1, 2018

Customer Class	Inside City Limits	Outside City Limits
a. Single-Family Residential	\$51.80 per mo. or \$5.18 CCF	\$77.80 per mo. or \$7.78 per CCF
b. Multi-Family Residential	\$41.44 per mo. or \$5.18 per CCF	\$62.24 per mo. or \$7.78 per CCF
c. Non-Profit Shelter	\$1.40 per CCF	\$2.10 per CCF

Effective January 1, 2019

Customer Class	Inside City Limits	Outside City Limits
a. Single-Family Residential	\$53.40 per mo. or \$5.34 per CCF \$55.12 per mo. or \$5.51 CCF	\$80.10 per mo. or \$8.01 per CCF \$82.67 per mo. or \$8.27 per CCF
b. Multi-Family Residential	\$42.72 per mo. or \$5.34 per CCF \$44.09 per mo. or \$5.51 per CCF	\$64.08 per mo. or \$8.01 per CCF \$66.14 per mo. or \$8.27 per CCF
c. Non-Profit Shelter	\$1.44 per CCF \$1.49 per CCF	\$2.16 per CCF \$2.23 per CCF

Effective January 1, 2020

Customer Class	Inside City Limits	Outside City Limits
a. Single-Family Residential	\$55.00 per mo. or \$5.50 per CCF \$58.04 per mo. or \$5.80 CCF	\$82.50 per mo. or \$8.25 per CCF \$87.06 per mo. or \$8.71 per CCF
b. Multi-Family Residential	\$44.00 per mo. or \$5.50 per CCF \$46.43 per mo. or \$5.80 per CCF	\$66.00 per mo. or \$8.25 per CCF \$69.65 per mo. or \$8.71 per CCF
c. Non-Profit Shelter	\$1.48 per CCF \$1.57 per CCF	\$2.22 per CCF \$2.35 per CCF

2. Sewer charges for each single-family or multifamily residential customer shall be based upon that customer's water usage, either in the previous November/January billing period or in the previous December/February billing period provided each customer, other than qualifying low-income seniors as defined in subsection 2(E), is subject to a minimum volume charge of 3 CCF per month.

A. Single-family or multi-family residential customers who have "a complete two-month water consumption history" in either of the two billing periods specified above, shall be charged the applicable inside city or outside city rate per CCF for sewer as set forth in section 1 above. For new accounts in which the two month water consumption history has not been established, an interim rate may be established by the Director of Public Works in accordance with department policies. The Director of Public Works shall approve a written policy for the setting of this interim rate that will include, but not be limited to, how the interim rate is calculated.

B. The applicable inside city or outside city flat rate set forth in section 1 above shall be used as the monthly sewer billing rate for any customer for whom for any reason the provisions of this subsection cannot be used.

C. The Utilities Division shall develop written rules consistent with this subsection and this ordinance for the fair and efficient administration of such sewer rate.

D. For the purpose of applying the rates as set forth in subsection A(1)(c) above, the term non-profit shelters shall be defined to mean a facility operated by a non-profit organization that provides clients with on site food, beds or shelter for free or at significantly below market rates.

E. For the purpose of applying the low income senior minimum sewer flow waiver as set forth in

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subsection A(2) above, applicants shall meet the following:

1. Applications shall be obtained from and filed with the Public Works director, or his or her designee. The application shall be on a form prescribed by the Public Works director, and shall contain the information necessary to evaluate the applicant's qualification for the low income senior minimum sewer flow waiver.

a. Submission of an application for a utility discount shall constitute a verification by the applicant that all information provided in such application is true and correct to the best of the applicant's knowledge.

b. Once approved by the department, the application shall become effective the next billing cycle after approval of the application.

c. Each application is effective for 12 months commencing the first month the reduced rate becomes effective for the applicant. It shall be the sole responsibility of the applicant to re-apply for successive 12-month periods of eligibility.

d. The rate reduction shall only apply to utility charges for service to a residence. The residence for which the rate reduction is requested must be the applicant's principal place of residence.

e. The applicant must be the head of the household for the residence for which the rate reduction is requested.

f. The utility account must be in the applicant's name or the name of the applicant's

spouse.

2. For purposes of this section, the term low income senior shall be defined as follows:

a. Be 62 years of age or older at all times during any period for which a minimum sewer flow waiver is requested; and

b. Have been a sewer customer of the city at all times during any period for which a minimum sewer flow waiver is requested; and

c. Have an income during the calendar year or portion thereof for which a minimum sewer flow waiver is requested, from all sources whatsoever, either (1) not exceeding two hundred (200) percent of the Federal Poverty Guidelines for a household of any size as published by the Secretary of Housing and Urban Development or (2) not exceeding the income qualification for low-income seniors set forth in RCW 84.36.381(5)(a), whichever is greater.

3. Commercial, industrial, electronics and government customers. Each such customer shall pay a monthly user charge per hundred cubic feet (CCF) as follows; provided, each such customer is subject to a minimum user charge equal to the applicable inside or outside city flat monthly rate for one single-family service set forth in subsection A.1. above:

~~Effective January 1, 2017:~~

Customer Class	Inside City Limits	Outside City Limits
a. Commercial	\$5.63 per CCF	\$8.46 per CCF

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b. Government	\$3.44 per CCF	\$5.16 per CCF
e. Industrial	\$5.84 per CCF	\$6.06 per CCF
d. Electronics	\$4.30 per CCF ⁷	\$4.45 per CCF ⁸

Notes for Electronic Customer Class—Effective January 1, 2017—December 31, 2017:

⁷ For monthly average flows above 2.88 million gallons per day, the rate shall be \$3.44 per CCF.

⁸ For monthly average flows above 2.88 million gallons per day, the rate shall be \$3.55 per CCF.

Effective April 1, 2017:

Customer Class	Inside City Limits	Outside City Limits
a. Commercial	\$5.89 per CCF	\$8.84 per CCF
b. Government	\$3.60 per CCF	\$5.39 per CCF
e. Industrial	\$6.10 per CCF	\$6.33 per CCF
d. Electronics	\$4.49 per CCF ⁹	\$4.65 per CCF ¹⁰

Notes for Electronic Customer Class—Effective January 1, 2017—December 31, 2017:

⁹ For monthly average flows above 2.88 million gallons per day, the rate shall be \$3.60 per CCF.

¹⁰ For monthly average flows above 2.88 million gallons per day, the rate shall be \$3.71 per CCF.

Effective January 1, 2018:

Customer Class	Inside City Limits	Outside City Limits
a. Commercial	\$6.07 per CCF	\$9.11 per CCF
b. Government	\$3.71 per CCF	\$5.55 per CCF
c. Industrial	\$6.28 per CCF	\$6.52 per CCF
d. Electronics	\$4.62 per CCF ¹¹	\$4.79 per CCF ¹²

Notes for Electronic Customer Class - Effective January 1, 2018 - December 31, 2018:

¹¹ For monthly average flows above 2.88 million gallons per day, the rate shall be \$3.71 per CCF.

¹² For monthly average flows above 2.88 million gallons per day, the rate shall be \$3.82 per CCF.

Effective January 1, 2019:

Customer Class	Inside City Limits	Outside City Limits
a. Commercial	\$6.25 per CCF <u>\$6.46 per CCF</u>	\$9.38 per CCF <u>\$9.69 per CCF</u>
b. Government	\$3.82 per CCF <u>\$3.95 per CCF</u>	\$5.72 per CCF <u>\$5.92 per CCF</u>
c. Industrial	\$6.47 per CCF <u>\$6.68 per CCF</u>	\$6.72 per CCF <u>\$10.02 per CCF</u>
d. Electronics	\$4.76 per CCF¹¹ <u>\$4.92 per CCF¹³</u>	\$4.93 per CCF¹² <u>\$7.37 per CCF¹⁴</u>

Notes for Electronic Customer Class - Effective January 1, 2019 - December 31, 2019:

~~¹¹ For monthly average flows above 2.88 million gallons per day, the rate shall be \$3.82 per CCF.~~

~~¹² For monthly average flows above 2.88 million gallons per day, the rate shall be \$3.93 per CCF.~~

~~¹³ For monthly average flows above 2.88 million gallons per day, the rate shall be \$3.93 per CCF.~~

¹⁴ For monthly average flows above 2.88 million gallons per day, the rate shall be \$5.90 per CCF.

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Effective January 1, 2020:

Customer Class	Inside City Limits	Outside City Limits
a. Commercial	\$6.44 per CCF <u>\$6.80 per CCF</u>	\$9.66 per CCF <u>\$10.20 per CCF</u>
b. Government	\$3.93 per CCF <u>\$4.16 per CCF</u>	\$5.89 per CCF <u>\$6.24 per CCF</u>
c. Industrial	\$6.66 per CCF <u>\$7.04 per CCF</u>	\$6.92 per CCF <u>\$10.56 per CCF</u>
d. Electronics	\$4.90 per CCF ¹³ <u>\$5.18 per CCF</u> ¹⁵	\$5.08 per CCF ¹⁴ <u>\$7.77 per CCF</u> ¹⁶

Notes for Electronic Customer Class - Effective January 1, 2020 - December 31, 2020:

~~¹³ For monthly average flows above 2.88 million gallons per day, the rate shall be \$3.93 per CCF.~~

~~¹⁴ For monthly average flows above 2.88 million gallons per day, the rate shall be \$4.05 per CCF.~~

¹⁵ For monthly average flows above 2.88 million gallons per day, the rate shall be \$4.14 per CCF.

¹⁶ For monthly average flows above 2.88 million gallons per day, the rate shall be \$6.21 per CCF.

4. The rate for discharging septage at the City's Publicly Owned Treatment Works (POTW) as provided for in VMC 5.72 effective January 1, 2013, shall be \$125.00 for each one thousand (1,000) gallons, or fraction thereof discharged in to POTW. If required, there shall also be added to such charge a tipping fee as determined by the Clark County Public Health District to support the Department's Septic System Preventive Maintenance Program.

5. INDUSTRIAL CUSTOMER is defined as an industrial user of the public sewer system who:

- a. Has a discharge flow of ten thousand gallons or processed wastewater or more per average work day; or

b. Has a concentration of biochemical oxygen demand (BOD) and suspended solids (SS) in excess of two hundred milligrams per liter per average work day; or

c. Is found by the city, State Department of Ecology or U.S. Environmental Protection Agency to have potential for a significant impact on the wastewater treatment system.

6. ELECTRONICS USER is defined as an industrial user of the public sewer system who:

a. Has a discharge flow of five hundred thousand gallons or more per average work day; and

b. Has a concentration of biochemical oxygen demand (BOD) and suspended solids (SS) less than two hundred milligrams per liter per average work day.

B. Liquids Not Originating From City Water System.

Any person discharging into the city sanitary sewerage system sewage which has in it liquids which did not originate from the city water system shall meter or measure by some method approved by the Director of Public Works all water used in the premises, whether the water is obtained from the municipal water supply system or from wells, private water systems or other sources.

C. Used Water Not Flowing Into Sewer System.

Where the user of water is such that a portion of all of the water used does not flow into a city sewer but is lost by evaporation or is used in manufacture or processes such as ice, beverages, foods or the like and the person in control provides proof of this fact and installs a meter or other measuring device approved by the Director of Public Works to measure the amount of water so used or lost, no charge shall be made for sewerage because of

water so used or lost.

D. Computation of Utility Rates.

For the purpose of computing water and sewer bills, all residences, regardless of number of units, shall be deemed residential, and each unit therein shall be deemed a residence. All other uses shall be deemed commercial, industrial or government.

SECTION 12. Vancouver Municipal Code Section 14.09.060 as last amended by Ordinance M-4193, Section 6 is hereby amended to read as follows:

Section 14.09.060 Rates for storm and surface water management.

A. Because all real property in the city contributes stormwater runoff to and/or benefits from the city's stormwater system, the owners thereof shall pay monthly charges as set forth in this section. Monthly charges will have two components as follows:

1. Operation and Maintenance. To provide for administrative and field operations, billing, accounting, and for the maintenance, repair and upgrade of existing stormwater facilities.

2. Capital Expenditures. To provide for basin-wide and system master planning and subsequent capital improvement projects as identified in the stormwater capital plan.

B. The water and sewer utility is authorized to establish charges for the use and discharge to

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the city’s stormwater system. Such charges shall be based on the cost of providing stormwater service to all properties within the city and may be different for properties receiving different classes of service. Monthly charges shall be established as follows:

Effective January 1, 2017

Single Family	Multi-Family	Commercial	Industrial
\$9.23 per month	\$9.23 per 2,500 sq. ft. hard surface per month (\$9.23 minimum)	\$9.23 per 2,500 sq. ft. hard surface per month (\$9.23 minimum)	\$9.23 per 2,500 sq. ft. hard surface per month (\$9.23 minimum)

Effective April 1, 2017

Single Family	Multi-Family	Commercial	Industrial
\$9.65 per month	\$9.65 per 2,500 sq. ft. hard surface per month (\$9.65 minimum)	\$9.65 per 2,500 sq. ft. hard surface per month (\$9.65 minimum)	\$9.65 per 2,500 sq. ft. hard surface per month (\$9.65 minimum)

Effective January 1, 2018

Single Family	Multi-Family	Commercial	Industrial
\$10.13 per month	\$10.13 per 2,500 sq. ft. hard surface per month (\$10.13 minimum)	\$10.13 per 2,500 sq. ft. hard surface per month (\$10.13 minimum)	\$10.13 per 2,500 sq. ft. hard surface per month (\$10.13 minimum)

Effective January 1, 2019

Single Family	Multi-Family	Commercial	Industrial
<p>\$10.64 per month \$10.96 per month</p>	<p>\$10.64 per 2,500 sq. ft. hard surface per month (\$10.64 minimum) \$10.99 per 2,500 sq. ft. hard surface per month (\$10.99 minimum)</p>	<p>\$10.64 per 2,500 sq. ft. hard surface per month (\$10.64 minimum) \$10.99 per 2,500 sq. ft. hard surface per month (\$10.99 minimum)</p>	<p>\$10.64 per 2,500 sq. ft. hard surface per month (\$10.64 minimum) \$10.99 per 2,500 sq. ft. hard surface per month (\$10.99 minimum)</p>

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Effective January 1, 2020

Single Family	Multi-Family	Commercial	Industrial
<u>\$11.17 per month</u> <u>\$11.80 per</u> <u>month</u>	<u>\$11.17 per 2,500 sq. ft.</u> <u>hard surface per month</u> <u>(\$11.17 minimum)</u> <u>\$11.80</u> <u>per 2,500 sq. ft. hard</u> <u>surface per month (\$11.80</u> <u>minimum)</u>	<u>\$11.17 per 2,500 sq. ft. hard</u> <u>surface per month (\$11.17</u> <u>minimum)</u> <u>\$11.80 per 2,500 sq.</u> <u>ft. hard surface per month</u> <u>(\$11.80 minimum)</u>	<u>\$11.17 per 2,500 sq. ft.</u> <u>hard surface per month</u> <u>(\$11.17 minimum)</u> <u>\$11.80</u> <u>per 2,500 sq. ft. hard</u> <u>surface per month (\$11.80</u> <u>minimum)</u>

C. "Multi-family Customer" class shall apply to customers with living units that share a common wall.

1. Multi-family customers with two or more living units per meter will be charged the effective rate per 2,500 sq. ft. of impervious surface.

2. Multi-family customers with one water meter per living unit will be charged the prevailing "Single-family customer rate" per unit.

D. State Highway Charge. Pursuant to RCW 90.03.525, the monthly charge for all state highway properties within the city shall be 30% of the charge provided in paragraph B above, unless the city and state agree to a different rate or unless the court of competent jurisdiction holds otherwise.

E. Application to Publicly Owned Properties. Other publicly owned properties shall be charged at the industrial rate as set forth herein.

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F. Application to active gravel mining operations and publicly owned streets, alleys and rights of way. Active gravel mining operations, publicly owned streets, alleys and rights of way shall be charged at the State Highway Charge rate provided in paragraph D as set forth herein.

G. Application to certain qualifying properties. For qualifying properties meeting all of the following criteria, the monthly charge shall be 30% of the charge provided in paragraph B above.

1. The qualifying property is subject to a stormwater management program regulated by and in compliance with the requirements for a Secondary Permittee as defined by Special Condition S6 of the NPDES Western Washington Phase II Municipal Stormwater Permit, and as hereafter amended.

2. The qualifying property does not discharge stormwater into the City of Vancouver surface water drainage system.

SECTION 13. Savings. Those sections of the ordinances amended by this ordinance shall remain in full force and effect until the effective date of this ordinance.

SECTION 14. Severability. If any provision of this Ordinance is held invalid, the validity of the Ordinance as a whole, or any portion thereof, shall not be effected.

SECTION 15. Ratification. Acts taken in conformity with this ordinance prior to its effective date are hereby ratified and affirmed.

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SECTION 16. Effective Date. This ordinance shall be effective on January 1, 2019.

Read first time: September 24, 2018

Ayes: Councilmembers Lebowsky, Glover, Stober, Topper, Turlay, Hansen

Nays: None

Absent: Mayor McEnerny-Ogle

Read second time: October 1, 2018

PASSED by the following vote: 6-0

Ayes: Councilmembers Lebowsky, Glover, Stober, Turlay, Hansen, Mayor McEnerny-Ogle

Nays: None

Absent: Councilmember Topper

SIGNED this 1st day of October, 2018.

DocuSigned by:
Anne McEnerny-Ogle
58CB15C0632F403...
Anne McEnerny-Ogle, Mayor

Attest:
DocuSigned by:
Carrie Lewellen
661359AB277E439...
Natasha Ramras, City Clerk
By: Carrie Lewellen, Deputy City Clerk

Approved as to form:

DocuSigned by:
E. Bronson Potter
AAC4768B6D2D446...
E. Bronson Potter, City Attorney

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SUMMARY

ORDINANCE NO. M-4239

AN ORDINANCE amending Vancouver Municipal Code (VMC) Sections 5.04.020, 5.04.075, 5.04.090, 5.04.095, 5.92.010, 5.93.010, 5.94.030, 14.04.210, 14.14.230, and 14.09.060 to amend business license fee limitations and exemptions; to increase water, sewer, and stormwater rate and taxes; and to increase solid waste taxes to fund additional police protection services; and repealing Section 5.04.096 business license fees based on square footages for commercial, industrial, and multi-family residential rental properties; providing for savings, severability, ratification, and an effective date.

The full text of this ordinance will be mailed upon request. Contact Raelyn McJilton, Records Officer at 360-487-8799, or via www.cityofvancouver.us (Go to City Government and Public Records).

MEMORANDUM

DATE: June 11, 2018
TO: Vancouver City Council
FROM: Tim Schauer and Tim Leavitt, Co-Chairs, Vancouver Strong Executive Sponsors Council
RE: **Executive Sponsors Council Workplan Update and Recommendation for Replacement Revenue Sources for VPD funding**

The Vancouver Strong Executive Sponsors Council (ESC) continues to make progress on its work to develop for your review and consideration a long term, sustainable funding strategy that will ensure the future health and prosperity of our city by maintaining quality City services, improving our economy and creating opportunities for all residents.

The purpose of this memo is to request a timeline extension for presenting our final funding strategy recommendation, to deliver a recommendation for replacement revenue sources for Vancouver Police Department funding, and to provide a brief review of the Vancouver Strong initiative, our progress to date and the path forward.

TIMELINE EXTENSION

In February 2018, when the Vancouver Strong Mid-Point Report was provided to City Council, our goal was to present a proposed funding package for City services and capital improvements to City Council by May 2018. Since then, we have determined that additional time is needed to allow for a broad-based community engagement process and to place any elements in the package that would require voter approval on a future election ballot.

We appreciate the Council's concurrence with an extended timeline to deliver our comprehensive funding package recommendation for City service enhancements, capital investments, and policy adjustments to December 2018.

REPLACEMENT REVENUE FOR POLICE FUNDING

There is one aspect of the funding strategy that requires attention well before the end of the year: A recommendation to replace \$6.1 million for police services from a new indoor space license fee surcharge, currently set to go into effect on January 1, 2019.

For Council's review and consideration, our recommendation for replacement sources of revenue is outlined below.

RECOMMENDATION FOR POLICE FUNDING REPLACEMENT REVENUE

During our discussions, we have gained an appreciation of the complexity of the City as a service organization as well as a corporate entity. We have also come to appreciate the extreme difficulty of crafting a funding approach that balances a wide spectrum of competing interests in the community.

The police revenue package adopted in February 2017, provided a multi-year staffing strategy for VPD and included revenue from several sources, including a new indoor space license fee surcharge on retail/commercial/ industrial spaces and multi-family units. This new surcharge is set to become effective as of January 1, 2019, but the police funding revenue package included a contingent clause that would repeal the indoor space surcharge if an equivalent and more preferable method of funding is developed and enacted by the end of 2018 as part of the larger, more comprehensive funding discussion.

The new indoor space surcharge is complex to administer and would require the City to hire additional staff in order to implement. We recommend the new indoor space surcharge be repealed and the \$6.1 million in funding for police services be replaced with the below revenue sources:

Revenue Sources	Dollars generated (\$ millions)	Tax rate increase
Savings due to ease of implementation and revenue collection	\$0.25	
Utility tax increase 2019	\$2.39	2.2%
Utility tax increase 2020	\$2.00	1.8%
Business license surcharge (remove cap on companies with more than 400 FTEs)	\$0.56	
Business license surcharge (apply to not-for-profit companies with four or more employees or with revenue greater than \$12,000 per year)	\$0.90	
TOTAL	\$6.10	

The ESC utilized the following rationale in developing this recommendation:

- More effectively applies the current business license surcharge to capture the existing base without raising rates.** The current \$90 per employee per year business license surcharge (BLS) is dedicated exclusively to funding improvements to the City's street system and paying off transportation bonds (generating \$2.6 million annually) and increasing capacity in the City's police department (generating \$0.8 million annually). These two services are used – either directly or indirectly - by every citizen, employee and business in the city. Further, the ESC recognizes that the business license surcharge is currently the only broadly applied tax exclusive to business activity in the city.

By eliminating the current cap of 400 employees on large employers, the base to which the business license surcharge applies is expanded in a way that more accurately captures the footprint of larger employers, dedicating this revenue to City services that all employers use.

Approximately 11 employers are anticipated to be impacted by this change. These companies employ an estimated total of 9,685 FTEs, and removing the cap is anticipated to result in the surcharge applying to 1.3 percent of total employment within the city. The adjustment also captures revenue from a measurable segment of employment within the city – the nonprofit sector. There are approximately 10,186 full time equivalent jobs in the city associated with a total of 186 individual nonprofits. Of these, 123 have four or more employees. Notably, the largest of these, PeaceHealth, employs approximately 4,500 FTEs. The ESC recognizes that the nonprofit sector by its very nature endeavors to meet community needs that otherwise may not be met at all. However, as noted above, nonprofit entities contribute to demand for essential services that the BLS is designed to fund. Given recent feedback from stakeholders, Council may want to consider phasing in the new requirement for non-profits and large businesses.

- **Preserves exemptions for the smallest non-profits:** The recommendation preserves the exemption to obtain a business licenses for any business that earns less than \$12,000 per year and for nonprofits with less than four employees.
- **Maintains engagement with the business community in a constructive manner.** The ultimate success of the Vancouver Strong effort will depend in part on the support of the business community. Consequently, there is measurable value in listening to concerns raised by the business community with respect to the new indoor space surcharge.
- **Ease of implementation and administration.** As we looked to replace the adopted, but not yet implemented, ordinance for indoor space and multi-family unit business surcharges, we learned of its complexity for those who would pay it as well as for the City, who would administer and account for it. Because the BLS and the utility tax are currently administered by the City, the recommended adjustments to these will not increase administrative burden for either the payer or the City, minimizing administrative complexity and costs.
- **Avoids new fees/taxes on new construction and multi-family housing.** The recommendation acknowledges the near-term shortage in affordable housing and endeavors not to aggravate this situation in the context of this recommendation for replacement revenue. (However, the ESC notes that the comprehensive service package may contemplate revenue sources that impact the cost of housing in Vancouver.)
- **Preserves flexibility for future adjustments to this revenue.** As we develop a comprehensive service and revenue package, further adjustments and refinements to this revenue may be needed. Consequently, replacement revenue should preserve the maximum flexibility for

refinement in the context of future phases of the Vancouver Strong recommendation while continuing to maintain ease of administration.

VANCOUVER STRONG INITIATIVE

In early 2017, the City, working with a Community Resource Team completed a focused effort to identify service gaps at the Vancouver Police Department and develop a funding package to address them. This effort resulted in the City Council adopting a package of fees and taxes to address the gaps in police service. In response, business and community leaders issued a call for the City to commit to a broad-based community engagement process to develop a structural funding solution that will provide stability and predictability for businesses, residents and for City services.

As a result of that call for action, in March 2017, the City convened a group of business and community leaders to play a key role in developing this structural solution. This group is referred to as the Executive Sponsors Council (ESC) and the initiative as Vancouver Strong.

The ESC has been meeting since May 2017, and through a series of meetings we have gained a thorough understanding of the scope of City services, funding challenges and opportunities, and financial tools. The ESC has come to understand how limited and shallow the revenue tool box is for the City to address growing service needs.

We began our work with an understanding of the City's Strategic Plan and a collective vision for a strong Vancouver. Our challenge is to improve our city by taking action to prevent a state of decline and to make viable the community's aspirations for Vancouver. We believe that through a strategic approach to investing in City services, we can maintain safety and improve livability, vibrancy, and economic vitality for all.

The goal of Vancouver Strong is to develop a long-term, comprehensive, streamlined and sustainable funding package that will enable the City to invest in the capital improvements and services identified in the Strategic Plan and other adopted City plans to serve the Vancouver community. The ESC will be conducting a community engagement process to inform development of a funding package before presenting a proposed funding package to City Council by the end of 2018.

FUTURE GROWTH AND REVENUE CONSTRAINTS

Vancouver is currently experiencing population and economic growth which has increased demand for City resources and services. Since the end of the recession, Vancouver's population has increased by over 3,200 new residents per year and is urbanizing at the fastest pace in a generation. In response, the City has made great strides to address some of our most critical service needs through a disciplined approach to managing resources, including cost containment, efficiency improvements and service reductions as well as a series of focused efforts around core service areas such as fire and emergency

medical services, affordable housing, streets and police. The City provides services to nearly 25,000 more citizens and 3,000 new businesses than it did just 10 years ago – with 110 fewer City employees.

Despite incremental adjustments to the City’s revenue structure and an ongoing focus on efficiencies and fiscal discipline, gaps persist in key areas of City services. These gaps are forecast to continue to widen each year due to ongoing demand from a growing population paired with the constraints in the basic revenue structure that funds general City services.

The intricacies of the revenue system in Washington State and the compounded impacts of the City’s repeal of the business and occupation tax in the early 1990s, the statewide tax reform initiatives passed in the late 1990s and early 2000s, and the economic impacts of the great recession, have all resulted in the City’s general revenues lagging behind inflation and not keeping pace with the growth in demand for services.

The largest three revenues for the City’s general fund – property tax, sales tax and utility tax on city owned utilities – make up 73 percent of the total revenues. The City’s largest and most stable general revenue – property taxes – is the most constrained, with the revenue base limited to the lower of 1 percent annual growth or inflationary index regardless of how strong or weak the economy is. Sales tax is highly volatile and susceptible to economic swings.

While the near-term forecast for the City indicates financial stability, the impact of the structural imbalance in how core City services are funded will become challenging, and if not proactively addressed now, we will start experiencing declining service levels across all general City services in the very near future.

THE PATH FORWARD

The ESC will continue to meet through November 2018 and has developed a work plan (attached) to develop a final recommendation. This summer City staff, in partnership with ESC members, will implement a public engagement effort to gain broader input on a draft recommendation.

We have identified the following decision-making considerations to use in developing our comprehensive recommendations for City services, capital investments and policy changes:

- Helps retain and/or attract talent to the local community and economy
- Serves as a catalyst to lead and promote private investment
- Prevents problems or proactively addresses cause
- Provides a tangible benefit to residents, especially those who are the most vulnerable or underserved
- Enhances relationships and connections among Vancouver residents
- Promotes social and geographic equity of service delivery and social benefits
- Focuses on services or responsibilities that rest solely or primarily with the City
- Provides opportunities for positive financial or community return on investment
- Reflects stewardship of what we already have
- Has potential to increase city revenue base

- Focused toward the long-term (sustainability and prevention)

Considerations for development of a revenue package to fund new or enhanced services include:

- Fair and holistic: Distributes revenue generation across sectors, users and customers
- Sustainable: Keeps pace with inflation over time to help Vancouver achieve its vision
- Simple: Helps simplify the taxing structure
- Scalable: Can grow with Vancouver
- Stable: Generates reliable and predictable revenue
- Equitable: Results in no disproportionate impacts on certain groups or populations.

Thank you for considering our recommendation for replacement revenue for Vancouver Police Department funding. We believe this recommendation provides a more streamlined and equitable approach to raising the revenues needed for police services.

We look forward to continuing our work on developing a comprehensive funding package for your consideration later this year. We also look forward to engaging with a broad group of community leaders and Vancouver residents to seek feedback as we develop this plan.

We are committed to helping make our community a better place. By developing a comprehensive funding strategy for city services today we can maintain the safety and improve the livability in our city for the future. We believe this work will help to ensure a strong future for Vancouver, a place people are proud to call home.

ATTACHMENT:

- Work plan

VANCOUVER STRONG
Executive Sponsors Council
Work Plan
DRAFT – May 13, 2018

	Meeting	Description	Public outreach
10	March 8	<p>Topics: ESC workplan, revenue decision criteria, phase 1 recommendation</p> <p>Purpose: To move ahead with longer time frame and advance phase 1 recommendations</p> <p>Materials: Draft workplan, draft revenue criteria, revenue scenarios for phase one, calculator</p>	<p>Briefings with stakeholders</p> <p>Website</p>
11	April 12	<p>Topics: Phase 1 recommendation, revenue criteria, outreach plan</p> <p>Purpose: To finalize phase 1 recommendation and revenue criteria, to provide input on outreach and engagement plan</p> <p>Materials: Memo, revised phase 1 scenarios, draft revenue criteria, draft outreach and engagement plan</p>	Website
12	May 24 (Operations center)	<p>Topics: Formalize final initial phase recommendation, capital investments, decision-making framework for long-term investments</p> <p>Purpose: Consider scenarios for capital investments and how recommendations will be made</p> <p>Materials: Capital investment scenarios</p>	<p>Website</p> <p>Email update/social media</p>
13	June 21 Note: 9am – 3pm (Tour of waterfront park)	<p>Topics: Service package scenarios for operating investments, revenue scenarios</p> <p>Purpose: To advance package of investments and revenue package to present for broader public and stakeholder review</p> <p>Materials: Scenarios for operating investments</p>	<p>ESC led briefings with community groups and organizations (City staff provides tool kit of templates and materials)</p> <p>Enhance information sharing:</p> <ul style="list-style-type: none"> - Newsletter/email - Factsheet Website
14	July Date TBD (Added meeting)	<p>Topics: Service package scenarios, revenue package scenarios and potential policy changes</p> <p>Purpose: To agree on public review package: operations, capital investments, revenue package and policy changes</p> <p>Materials: Scenarios for revenue enhancements and service enhancements</p>	<p>Information pop-ups and community awareness activities at farmer's market, park events, shopping center</p> <p>ESC led briefings with community groups and organizations (City staff provides tool kit of templates and materials)</p>

	Meeting	Description	Public outreach
	July - Aug	Community Leaders Roundtable / Summit	Online feedback Information pop-ups and community awareness activities <ul style="list-style-type: none"> - Farmer's Market - Park events - Shopping center booth - information sharing: <ul style="list-style-type: none"> - Newsletter/email - Factsheet - Website, social media
14	Sept. 13	Topics: Public engagement results, refine recommendations for service package, revenue package and policy changes Purpose: To hear results of public engagement on capital investment package and operating package and refine for final consideration and recommendation to City Council Materials: Public comment report, preferred scenario, report outline	Information sharing: <ul style="list-style-type: none"> - Newsletter/email - Factsheet - Website, social media
15	Oct. 25	Topics: Recommendation to City Council Purpose: To advance the recommendation(s) and report to City Council Materials: Draft report with recommendations	Email update/social media Website
16	Nov. 7	Topics: Final recommendation to City Council Purpose: To adopt the final recommendation(s) and report to City Council and close out the ESC process Materials: Revised draft report with recommendations	Email update/social media Website
	December	n/a	
	January	ESC recommendations presented to City Council	

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