

**FISCAL NOTE FOR NON-CAPITAL PROJECTS**

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>CBO Analyst/Phone:</b>
Finance and Administrative Services	Glen Lee/684-8079	Jennifer Devore/615-1328

**Legislation Title:** AN ORDINANCE authorizing the Mayor of the City of Seattle to execute an Interlocal Agreement to establish the Washington Multi-City Business License and Tax Portal Agency; authorizing payment of costs associated with the City’s share of the Portal Agency’s 2014 budget; and ratifying and confirming certain other acts.

**Summary of the Legislation:** This legislation authorizes the Mayor to sign an Interlocal Agreement that will create a governmental agency in the form of a nonprofit corporation – the Washington Multi-City Business License and Tax Portal Agency (Portal Agency) – to be owned and governed jointly by the four cities of Bellevue, Everett, Seattle and Tacoma. Additional cities may join the Portal Agency over time. The Portal Agency will be empowered to oversee the development and operation of the “the Portal,” a vendor-owned and operated internet web application gateway that will afford taxpayers and businesses a single access point through which they may apply for business licenses from, and pay taxes and fees to, participating cities. Additionally, the ordinance provides for the signing and filing in 2014 of the Articles of Incorporation necessary as part of the statutory requirements to create the Portal Agency as a nonprofit corporation; and facilitates assignment of the Portal development vendor contract from Seattle to the Portal Agency.

**Background:**

The Interlocal Agreement and Articles of Incorporation that are attached to the proposed Bill reflect two and a half years of hard work by staff from all four participating cities. The effort has been led by the cities’ finance directors, and assisted by other senior finance and tax staff as well as a team of outside consultants and legal advisors. The project has been closely tracked by the business community, cities from around the state, the Association of Washington Cities, the State Department of Revenue, the State Legislature, and the Governor’s office. Creation of the Portal Agency will respond to the concerns of business and other stakeholders that cities imposing business and occupations taxes should make it simpler for businesses operating in multiple cities to file these taxes, while also responding to cities’ desire to maintain local control over local tax policy and collections.

Please check one of the following:

**X This legislation has financial implications.** Appropriation authority and supporting position authority will be requested in 2014. Please see Attachment A and Attachment B to this Fiscal Note for additional information regarding the project’s funding.

Appropriations Notes:

The 2013 Adopted CIP includes \$7.6 million in bond proceeds for the Business & Occupations (B&O) IT project and this estimate was based upon early project cost assumptions and prior to

the award to the vendor. The total B&O IT project costs were \$2.7 million less than anticipated because the vendor was able to do the work for less than projected. Therefore \$2.7 million in bond proceeds were reassigned to other eligible projects. The debt service payments for the B&O IT project will be reduced to reflect the changes in costs and adjusted in a 2014 supplemental legislation.

Current planning designates staff hiring in mid-year 2014. As stated above, position authority will be requested in 2014, along with appropriation authority.

In 2014, the City of Seattle's full portion of the Portal Agency costs is expected to be \$245,394. After reimbursement from the Agency for loaned staffing, there is existing appropriation authority sufficient to cover the City's remaining portion, which is estimated to be \$92,745.

Revenue/Reimbursement Notes:

The 2015 Proposed Budget will include ongoing appropriation authority and will detail any anticipated revenue from the Portal Agency.

**Other Implications:**

- a) **Does the legislation have indirect financial implications, or long-term implications?**

No.

- b) **What is the financial cost of not implementing the legislation?**

Based on the 2012 tax simplification legislation, the impact of not moving forward would mean that the State of Washington legislature could assimilate Seattle's local Business and Occupation tax into the Washington State Department of Revenue. When this loss was estimated in 2012, it was expected to be approximately \$43 million of City revenue per year.

- c) **Does this legislation affect any departments besides the originating department?**

No.

- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?**

No alternatives have been identified.

- e) **Is a public hearing required for this legislation?**

No.

- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**

No.

- g) **Does this legislation affect a piece of property?**

No.

- h) **Other Issues:**

**List attachments to the fiscal note below:**

Glen Lee  
FAS Multi-City Business License and Tax Portal Agency Creation FISC  
December 10, 2013  
Version #4

Exhibit A - MCBLTP 2014 Proposed Operating Budget Summary (June – December)  
Exhibit B - MCBLTP 2015-2020 Estimated Operating Proposed Budget Summary

**Multi-City Business License and Tax Portal Agency  
2014 Proposed Operating Budget Summary (June to December)**

**Table 1**

Labor Total <sup>1</sup>	152,649
Contracts Total <sup>2</sup>	27,000
Overhead Total <sup>3</sup>	12,500
Vendor Costs <sup>4</sup>	180,208
Operating Reserves	55,854
<b>Total Budgeted Costs</b>	<b>428,210</b>
<b>Total Budgeted Revenues</b>	<b>428,210</b>
Estimated User fee Revenues <sup>5</sup>	72,566
Estimated Revenue from City Cost Allocations <sup>6</sup>	355,644
<i>City of Seattle Cost Allocation<sup>7</sup></i>	245,394
<i>City of Bellevue Cost Allocation</i>	35,654
<i>City of Tacoma Cost Allocation</i>	56,903
<i>City of Everett Cost Allocation</i>	17,782

<sup>1</sup> This budget includes 2.5 FTE: the Portal Manager, a half-time administrative assistant and a full-time IT Project Manager/Business Analyst. The personnel for these positions will be provided by the City of Seattle and the costs in this budget include the fully-funded (salary, benefits, etc.) labor costs for all 2.5 positions. A separate loaned staffing agreement will be entered into between the Portal Agency and the City of Seattle in 2014 for these staff.

<sup>2</sup> Includes contracts for outside services such as Accounting, Insurance, Bank and the State Auditor.

<sup>3</sup> Funding for miscellaneous overhead items such as legal fees, office and operating supplies, printing and licenses/memberships.

<sup>4</sup> Includes costs estimated payable to-Gov Systems under the Portal Services Contract in 2014, from and after the Portal goes "live." e-Gov Systems will charge the Portal Agency \$1.25 every time a business or taxpayer makes an online Portal filing, whether or not tax is owing. This per-filing cost is fixed for the first five years of Portal operation.

<sup>5</sup> Assumes the Executive Board approves a proposed user fee of \$4 per online session per City (the proposed fee would be payable only when tax is owed; multiple tax and/or license filings on the same session would incur only one fee). This user fee is based on an estimated Portal use adoption rate by business and taxpayers of 15%. This adoption rate is expected to grow considerably each year.

<sup>6</sup> Cost Allocations are based on the 2012 Transaction count for each Original Principal, shown in Table 2.

<sup>7</sup> Excludes Seattle's contributions to start-up costs in 2014. Also excludes labor and operating costs for which Seattle will be reimbursed from the Total Budget shown above, per the loaned staffing agreement.

This budget estimates a six month budget beginning after the Multi-City Business License and Tax Portal is up and running in mid-2014, the first six months are covered by the Portal Implementation Project costs funded by Seattle. This budget estimates also assumes only four cities participate in 2014.

### **Transaction Counts Calculations used for Cost Allocation as between Original Principals**

**Table 2**

Transaction Counts	Based on 2012 actual business license filings, business and occupations and gross receipts tax filings for each Original Principal				
	<b>Seattle</b>	<b>Bellevue</b>	<b>Tacoma</b>	<b>Everett</b>	<b>Total</b>
Transactions	212,457	30,927	50,000	14,392	307,776
% Allocation	69%	10%	16%	5%	100%

**Multi-City Business License and Tax Portal Agency  
2015-2020 Estimated Operating Budget Summary**

This budget is an estimated six year budget and assumes only four cities participating.

	2015	2016	2017	2018	2019	2020
<b>Labor Total<sup>1</sup></b>	<b>314,740</b>	<b>324,182</b>	<b>333,908</b>	<b>343,925</b>	<b>354,243</b>	<b>364,870</b>
<b>Contracts Total<sup>2</sup></b>	<b>55,188</b>	<b>56,402</b>	<b>57,643</b>	<b>58,911</b>	<b>60,207</b>	<b>61,532</b>
<b>Overhead Total<sup>3</sup></b>	<b>15,330</b>	<b>15,667</b>	<b>16,012</b>	<b>16,364</b>	<b>16,724</b>	<b>17,092</b>
<b>Vendor Total<sup>4</sup></b>	<b>344,888</b>	<b>383,360</b>	<b>421,832</b>	<b>460,304</b>	<b>479,540</b>	<b>498,776</b>
<b>Operating Reserve - 15%</b>	<b>53,668</b>	<b>7,420</b>	<b>7,467</b>	<b>7,516</b>	<b>4,681</b>	<b>4,733</b>
<b>Total Estimated Budget</b>	<b>783,814</b>	<b>787,031</b>	<b>836,862</b>	<b>887,021</b>	<b>915,396</b>	<b>947,003</b>
<b>Estimated User Fee Revenue<sup>5</sup></b>	<b>193,510</b>	<b>241,888</b>	<b>290,266</b>	<b>338,643</b>	<b>362,832</b>	<b>387,021</b>
<b>Estimated City Cost Allocation Revenues<sup>6</sup></b>	<b>602,057</b>	<b>555,622</b>	<b>557,306</b>	<b>559,322</b>	<b>563,749</b>	<b>571,414</b>
<b>City of Seattle<sup>7</sup></b>	<b>415,419</b>	<b>383,379</b>	<b>384,541</b>	<b>385,932</b>	<b>388,987</b>	<b>394,276</b>
<b>City of Bellevue</b>	<b>60,206</b>	<b>55,562</b>	<b>55,731</b>	<b>55,932</b>	<b>56,375</b>	<b>57,141</b>
<b>City of Tacoma</b>	<b>96,329</b>	<b>88,900</b>	<b>89,169</b>	<b>89,492</b>	<b>90,200</b>	<b>91,426</b>
<b>City of Everett</b>	<b>30,103</b>	<b>27,781</b>	<b>27,865</b>	<b>27,966</b>	<b>28,187</b>	<b>28,571</b>

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### Estimated Adoption Rates

e-Gov Systems Recommended Adoption Rate	This is the recommended rate of adoption from e-Gov systems based on previous implementations.					
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Adoption Rate	40%	50%	60%	70%	75%	80%

### CPI-U Rates

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>CPI-U Forecast (Bellevue)</b>	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%	2.30%