

DATE: July 20, 2016  
TO: Mayor Boudreau and City Council  
FROM: Alicia D. Huschka, Finance Director  
SUBJECT: RESOLUTION CALLING FOR A SPECIAL ELECTION AND BALLOT PROPOSITION TO AUTHORIZE A 0.2% SALES AND USE TAX TO BE IMPOSED WITHIN THE BOUNDARIES OF THE MOUNT VERNON TRANSPORTATION BENEFIT DISTRICT

**RECOMMENDED ACTION:**

Staff recommends that Council approve the attached resolution calling for a special election and ballot proposition to be submitted to the voters of the City of Mount Vernon to authorize a two-tenths of one percent (0.2%) sales and use tax within the boundaries of the Mount Vernon Transportation Benefit District.

**INTRODUCTION and BACKGROUND:**

Over the last two years, City staff and the Mayor have been reviewing and discussing with City Council the merits of forming a transportation benefit district (TBD) within the city limits of Mount Vernon, with a focused review of the City's transportation system, needs and current funding levels. Once a TBD is created, a City can then contemplate certain revenues that may be imposed within the boundaries of a TBD.

One revenue option of a TBD is an annual vehicle license fee of up to \$20 which can be imposed by the legislative body of the District (City). Mount Vernon's City Council indicated they were not interested in imposing the vehicle license fee; however, showed interest in presenting to the voters the option of imposing a .002 or 0.2% sales and use tax within the city limits.

Any revenue generated within a TBD is used exclusively for the purpose of funding or partially funding transportation improvements within the District. Several cities across the State and certainly in our region have imposed either the vehicle license fee or the sales tax. To the best of our knowledge, at this time, there are 88 cities that have formed TBD's; 52 cities have imposed an annual vehicle license fee; and 25 cities have imposed a sales and use tax.

Actions taken to date by the City of Mount Vernon:

1. On May 25, 2016 City Council formally establish the Mount Vernon Transportation Benefit District, pursuant to Ordinance No. 3679.
2. On July 6, 2016 City Council assumed the rights, powers, functions and obligations of the Mount Vernon Transportation Benefit District, pursuant to Ordinance No. 3682. This was an action made available to TBD's by the 2015 State Legislature. By assuming the rights and powers of the TBD, the City Council can govern as the presiding board over the TBD, making governance much more straight forward.

Several committee meetings and a transportation open house have been held to share and review with Council the current state of the City's transportation system and to address the level of investment that we are putting into our system. Most importantly, we focused on and addressed the level of investment that is needed to maintain our current infrastructure.

**FINDINGS/CONCLUSIONS:**

- The City needs to dedicate more funding to maintain our current transportation system. The City's current transportation system consists of: 274 lane miles of streets with pavement maintenance and preservation being a primary goal, 31 traffic signals, 12 bridges, 5000 signs, 2500 pavement markings, and 150 miles of sidewalk.
- Overall revenues dedicated to transportation and maintenance are \$787,000 less when comparing the years 2015 to 2007.
- Primary goals should additional funding be secured:
  - Stop the decline of pavements/system
  - Reduce "failed" streets
  - Invest in needed capital transportation projects
- Transportation improvements of the TBD are detailed in the City's six-year Capital Improvement Plan and in the City's transportation element of the Comprehensive Plan.
- A two-tenths of one percent or 0.2% sales tax would generate approximately \$1,300,000 annually to the City which would be exclusively dedicated to transportation improvements in the City.
- The sales tax rate in the city limits would change from 8.5% to 8.7%.  
An example of what a 0.2% sales tax increase looks like on a \$10.00 retail purchase:
  - $\$10.00 \times 8.5\% = 85$  cents of sales tax
  - $\$10.00 \times 8.7\% = 87$  cents of sales tax; a 2 cent increase.
- In order to add this ballot measure to the November 8, 2016 general election ballot, the City must submit a resolution calling for a special election and ballot proposition to the Elections Supervisor in the Auditor's Office by no later than August 2<sup>nd</sup>, the day of the primary election.
- The City will additionally need to solicit people to serve as committee members, for and against the proposition. Council chooses from the list of names submitted, then appoints no more than 3 members for and 3 members against the ballot proposition. This appointment of committee members will need to occur on July 27<sup>th</sup>, the last Council meeting before the deadline of August 2<sup>nd</sup>, which is the date that committee names must be submitted to the Elections Supervisor. Staff is poised to advertise for these committee members.

**RECOMMENDATION:**

Approve the attached resolution calling for a special election and ballot measure to be on the November 8, 2016 general election ballot, asking the voters of the City to impose a 0.2% sales and use tax to be dedicated to funding transportation improvements in the City.

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE MOUNT VERNON TRANSPORTATION BENEFIT DISTRICT CALLING FOR A SPECIAL ELECTION AND PROVIDING FOR A BALLOT PROPOSITION TO BE SUBMITTED TO THE QUALIFIED ELECTORS OF THE DISTRICT ON NOVEMBER 8, 2016, TO AUTHORIZE A SALES AND USE TAX TO BE IMPOSED WITHIN THE BOUNDARIES OF THE DISTRICT UPON ALL TAXABLE RETAIL SALES AND USES IN THE AMOUNT OF TWO-TENTHS OF ONE PERCENT (0.2%) FOR THE PURPOSE OF FINANCING ALL OR A PORTION OF THE COSTS ASSOCIATED WITH TRANSPORTATION IMPROVEMENTS IN THE DISTRICT IDENTIFIED HEREIN FOR A PERIOD OF TEN YEARS.**

**WHEREAS**, RCW 35.21.225 authorizes cities to establish transportation benefit districts subject to the provisions of RCW 36.73; and

**WHEREAS**, the City of Mount Vernon (the "City") approved Ordinance No. 3679 on May 25, 2016, establishing the Mount Vernon Transportation Benefit District (the "District"); and

**WHEREAS**, Ordinance No. 3679 establishes boundaries for the District which are coterminous with the boundaries of the city limits of Mount Vernon; and

**WHEREAS**, Ordinance No. 3679 provides that funds generated by the District shall be used for transportation improvements that preserve, maintain and operate the planned and/or existing transportation infrastructure of the City or District, consistent with the requirements of RCW 36.73; and

**WHEREAS**, the City approved Ordinance No. 3682 on July 6, 2016 to provide that the City Council would thereafter assume the rights, powers, functions and obligations of the governing board of the District, thereby abolishing the board; and

**WHEREAS**, RCW 36.73.040(3)(a) authorizes transportation benefit districts to impose a sales and use tax in accordance with RCW 82.14.0455 in an amount not exceeding two-tenths of one percent (0.2%) for a period of ten years upon a favorable vote of the qualified electors within the District for the purpose of financing certain transportation improvements; and

**WHEREAS**, the City of Mount Vernon identified a sales and use tax imposed in accordance with RCW 82.14.0455, as well as any other lawful funding sources available to the District pursuant to RCW 36.73.040, as funding sources available to the Mount Vernon Transportation Benefit District; and

**WHEREAS**, if approved by the voters, the sales and use tax will apply to persons who shop and thereby use the roads in the City and not just to City residents; and

**WHEREAS**, if approved by the voters, revenues from a sales and use tax would be used entirely to fund transportation improvements in the District as identified in the Transportation Element of the City's Comprehensive Plan and in the City's Six-Year Capital Improvement Plan ("CIP") which includes the preservation, maintenance, operation and/or improvement of existing transportation infrastructure of the City; and

**WHEREAS**, the City Council considered this matter at a regular City Council meeting, has given this matter careful review and consideration, and finds that good government and the best interests of the District will be served by passage of this resolution.

**NOW, THEREFORE**, THE CITY COUNCIL OF THE CITY OF MOUNT VERNON, WASHINGTON, HEREBY RESOLVES AS FOLLOWS:

**Section 1. Findings.** The City Council, as the governing board of the Mount Vernon Transportation Benefit District, finds that it is in the best interests of the District to submit to the qualified voters of the District, at a special election to be held on November 8, 2016, a proposition authorizing the District to impose a sales and use tax of two-tenths of one percent (0.2%) pursuant to RCW 36.73.040(3)(a), 36.73.065(1) and 82.14.0455 for the purpose of raising revenue to acquire, invest in, construct, improve, provide, operate, secure right-of-way or easement for transportation related facilities, preserve, maintain and/or fund transportation improvements in the District, and to impose such sales and use tax if approved by an affirmative vote of a majority of the District voters voting at the election.

**Section 2. Description of transportation improvements.** The transportation improvements carried out with the sales and use tax revenues must be projects or programs contained in the City of Mount Vernon's Six-Year Capital Improvement Plan and/or the City of Mount Vernon's Transportation Element of the Comprehensive Plan, all associated maintenance, operation, labor, material, and equipment required for these projects and programs, and includes the preservation, maintenance, operation and/or improvement of existing transportation infrastructure of the City.

The cost of all construction, maintenance, preservation, operation, design, engineering, construction management, financial, legal, and other consulting services, inspection and testing, administrative and relocation expenses, and other costs incurred in connection with the foregoing described transportation improvement projects shall be deemed to be a part of the transportation improvements.

**Section 3. Ballot Proposition.** The Skagit County Auditor as *ex officio* supervisor of elections in Skagit County, Washington is hereby requested to call and conduct such special election to be held within the District on November 8, 2016, and to submit to the qualified electors of the District for their approval or rejection a proposition to impose a sales and use tax to be levied in the amount of two-tenths of one percent (0.2%) of the selling price in the case of a sales tax or value of the article used in the case of the use tax. The sales and use tax authorized by this section is in addition to any other taxes authorized by law and shall be collected from those persons who are taxable by the State of Washington under Chapters 82.08 and 82.12 RCW upon the occurrence of any taxable event within the boundaries of the District and shall be imposed for a period of not more than ten years from its first date of collection. Upon approval of the voters of the proposition hereinafter set forth the District may use proceeds of such sales and use tax for the purposes described in this resolution. The Finance Director, acting as City Clerk, is hereby authorized and directed to certify, no later than August 2, 2016, to the Elections Supervisor, a copy of this resolution and the following proposition to be submitted to the qualified electors at that election, in substantially the following form:

MOUNT VERNON TRANSPORTATION BENEFIT DISTRICT  
MOUNT VERNON, WASHINGTON  
SALES AND USE TAX FOR TRANSPORTATION IMPROVEMENTS

The City Council of Mount Vernon, Washington, adopted Resolution No. 912 concerning a sales and use tax to fund transportation improvements within the Mount Vernon Transportation Benefit District. This proposition would authorize a sales and use tax of two-tenths of one percent (0.2%) of all taxable retail sales within the Mount Vernon Transportation Benefit District, in accordance with RCW 82.14.0455, for a period of ten years. Such revenues would fund the following transportation improvements: street preservation and maintenance, including: repaving and repairing streets; and improvement projects further identified in the City's Capital Improvement Plan and/or Transportation Element of the Comprehensive Plan.

Should this proposition be approved?

YES.....

NO.....

For purposes of receiving notice of the exact language of the ballot proposition required by RCW 29A.36.080, the City Council hereby designates: (a) the Finance Director; and (b) the City Attorney, as the individuals to whom such notice should be provided. The Finance Director and City Attorney are each authorized individually to approve changes to the ballot title, if any, deemed necessary by the Director of Elections.

The Finance Director is authorized to make necessary clerical corrections to this resolution including, but not limited to, the correction of scrivener's or clerical errors, references, resolution numbering, section/subsection numbers, and any reference thereto.

The proper Transportation Benefit District officials are authorized to perform such duties as are necessary or required by law to submit the question of whether the sales and use tax shall be imposed, as provided in this resolution, to the electors of the District at the November 8, 2016 special election.

**Section 4. Severability.** If any provision of this resolution shall be declared by any court of competent jurisdiction to be invalid, then such provision shall be null and void and shall be separable from the remaining provisions and shall in no way affect the validity of the other provisions, or of the imposition or collection of the tax authorized herein.

ADOPTED by the City Council of the City of Mount Vernon, Washington, this 20th day of July, 2016.

By \_\_\_\_\_  
JILL BOUDREAU, Mayor

Attest: \_\_\_\_\_  
ALICIA D. HUSCHKA, Finance Director

Approved as to form:

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KEVIN ROGERSON, City Attorney