

# Progressive Revenue Task Force Meeting

January 4, 2018 9:00 – 11:00 a.m.

Seattle City Hall – Bertha Knight Landes Room

Members Present (X denotes attendance):

Task Force Members:		Members, continued:	
X	Councilmember Lorena González, Co-Chair	X	Tom Mathews
X	Councilmember Lisa Herbold, Co-Chair	X	Courtney O’Toole
X	Kirsten Harris-Talley, Community Co-Chair	X	Katie Wilson
X	Tony To, Community Co-Chair	X	Maiko Winkler-Chin
X	Jennifer Adams	<b>Staff:</b>	
X	Andrew Coak	X	Dan Eder, Deputy Director of Central Staff
X	Lisa Daugaard		Erik Sund, Central Staff Budget Coordinator
X	Ian Eisenberg	X	Cody Reiter, Office of CM González
X	Samantha Grad	X	Shannon Perez-Darby, Office of CM Herbold
X	Brianna (Bri) Little	X	Ashley Harrison, notetaker
X	Daniel Malone		

\*Fernando Mejia-Ledesma withdrew his membership prior to this meeting.

## Introductions, Overview, and Ground Rules

Members introduced themselves and gave brief comments on what led them to serve on the Progressive Revenue Task Force. Councilmember Herbold shared an overview of the Task Force’s scope of work as defined by Resolution 31782.

The members reviewed the Ground Rules for meetings and did not make any changes to the rules as distributed. Councilmember Herbold noted that these can be amended later if the group identifies necessary changes.

## Review of Central Staff Memorandum

Central Staff Deputy Director Dan Eder presented a background memorandum dated January 3, 2018. Note: the copy distributed to members via email and in print is the final version, despite the DRAFT watermark. These notes attempt to capture the discussion and questions but do not recapitulate the contents of the memo.

### Summary of questions/answers and discussion points:

- The memorandum references an earlier employee head tax (EHT) in effect from 2007 – 2009, at which point it was repealed. Revenues from that tax were dedicated for transportation purposes; the EHT included complex exemptions intended to incentivize employees to commute

by any means other than single-occupant vehicles. The EHT raised approximately \$5 million annually at a rate of \$25 per employee.

- The memorandum noted that the 2007 – 2009 EHT did not yield the full revenue amount that had been projected. Per Eder, employers struggled to track employee commute methods, and this tracking difficulty in turn created challenges for the City in confirming whether employers were paying the correct amount. By contrast, the EHT proposed during the 2017 Budget process would have been based on gross receipts, which are already tracked for the purposes of administering the B&O tax.
- Councilmember González requested a briefing/analysis regarding revenue projections and exemptions. She noted that the final Task Force report should identify any relationship between exemptions and revenue projections, particularly to flag any potential shortfall such as occurred with the 2007 – 2009 EHT.
- Councilmember Herbold noted that versions of an EHT proposed but not passed in 2014, 2015, and 2016 did not include exemptions along the lines of the 2007 – 2009 EHT, in response to concerns that exemptions tend to increase the complexity of administering the tax for the City/FAS and for employers. She also noted that the EHT at that time was proposed to reduce use of sales tax (Transportation Benefit District Package in 2014) and property tax (Move Seattle Levy in 2015), both regressive taxes.
- Councilmember Herbold clarified that the 2017 proposal to implement a \$100/FTE employee hours tax was proposed for only those businesses earning \$10 million or more in gross receipts.
- In response to a question, Dan Eder clarified that the repeal was a policy decision and that he was not aware of any legal challenges to the 2007 – 2009 EHT.
  - Councilmember Herbold noted that there may be reason to anticipate a challenge to a tiered taxation model which charges different rates based on the size of the business.
- Dan Eder will confirm whether there were any other exemptions to the 2007 – 2009 EHT besides the commute incentives. Eder noted that to the best of his recollection there were no other exemption types.

## Review of Task Force Overview and Meeting Objectives

### Modifications to Overall Timeline:

The original resolution stipulated a report deadline of February 26<sup>th</sup>; however, we've planned for our final meeting to be held on March 1<sup>st</sup> to provide Central Staff with sufficient time to prepare a written report to bring back to the Task Force for approval. The final report of the Progressive Revenue Task Force will be presented before the City Council's Finance and Neighborhoods Committee.

### The PRTF approved the workplan with the following revisions:

- Future meeting agendas will include an objectives check-in to review the workplan and plan for the following meeting accordingly.
- Each meeting (with the exception of the final meeting on March 1<sup>st</sup>) will cover topics related to both revenue generation and revenue use, with the goal that discussion of revenue targets is informed by an understanding of the unmet needs and the programs/services that offer demonstrable impact but are not fully resourced. Otherwise there is a risk that with two

separate caucuses, one focused on revenue structure and one focused on programmatic solutions, we may not find common ground for a revenue target; this approach will help us link the two areas.

- **Changes to the January 18, 2018 Meeting:**
  - Central Staff will add a business tax burden comparison to other large cities, in addition to comparisons with other cities in King County.
  - The Councilmembers will draft a letter to the One Table regional task force (see below) and present it to the PRTF for review and input at the January 18<sup>th</sup> meeting.
  - Central Staff will present a broad overview of current expenditures and service provision related to homelessness and housing.
  
- **Changes to the February 1, 2018 Meeting:**
  - Central Staff are asked to include in their analysis an explanation of what are considered progressive taxes, along with an assessment of comparative projected impacts of different types of taxes on low-income people.
  - Central Staff are requested to present a list of progressive revenue options identified in the [Cities at Work](#) report as available to municipalities, including a brief analysis of which options are most viable and least likely to face legal barriers to implementation.
  - Central Staff will present information regarding known resource gaps in terms of services that address critical needs but are not funded or which could be scaled up for greater impact with additional funding.
  
- **Changes to the February 15, 2018 meeting:**
  - Task Force will determine the format of the report to provide direction to Central Staff, including a general outline of what should be covered.
  
- **Additional topics – meeting dates TBD:**
  - The Task Force will request a presentation by the City Demographer, including data on changes in the incomes of Seattle residents, migration into and out of the city, and the growth in business revenue. Member questions: What are the current revenue growth trends, particularly in certain sectors, as compared to past growth? Can this help us better understand the specific causes of the affordability crisis?
  - Central Staff (Eder and Sund) will present an analysis of a) the implications of Federal tax reform (where known) for the tax burden of Seattle businesses/employers, and b) tracking loss of Federal funds which directly supported low-income residents and funded local/regional agencies serving low-income residents of our area.
  - The Task Force will request a presentation or discussion with representatives from the City's Finance and Administrative Services Department to hear their thoughts and considerations for an implementation structure (i.e. avoiding a burdensome structure)

### **Decision-Making Process and Format of Final Report/Recommendations:**

The Task Force agreed to the following decision-making process: a simple majority vote, with an option for a minority report if approval is not unanimous.

Councilmember González noted that the language of the resolution does leave room for multiple reports if needed. The desire is for a single, unified report, but if that is not possible we can also submit a minority report in order to surface additional viable options for Council's consideration.

The discussion clarified that the co-chairs are all voting members of the Task Force.

### **Bi-Weekly Reports to Council and Coordination with County-Led Regional Task Force**

Resolution 31782 stipulates that the PRTF will report to the City Council's Finance and Neighborhoods Committee every two weeks, but does not specify the format. These biweekly reports will help to surface any potential concerns or gaps and keep other Councilmembers informed as to the direction of this group. The Task Force discussed several options, including: sending representatives from the Task Force to provide a brief oral presentation; provide updates in writing; or ask Councilmember González to take on the reporting responsibility given her concurrent role as vice-chair of the Finance and Neighborhoods Committee. The decision was deferred for the time being.

The PRTF discussed the recently-announced county-led multi-jurisdictional effort, the One Table Task Force. Members noted that their timeline is not clearly as defined but the stated intent is a coordinated effort to find ongoing revenue to dedicate to homelessness. The PRTF discussed the potential for confusion among the public as well as risks of not being in dialog with One Table as our work proceeds. The PRTF agreed to send a formal communication to One Table, laying out our understanding of our unique and specific scope and requesting two-way dialog about our respective intents and possible areas of overlap. The Councilmembers will draft a letter for the PRTF's review at the next meeting.

### **Caucus Formation**

In order to meet our deadlines, the group agreed to split into two caucuses that will meet/communicate informally between meetings. Some members volunteered for two caucuses.

One caucus will focus on the taxation method and revenue. Members: Andrew Coak, Samantha Grad, Ian Eisenberg, Councilmember González, Tony To, Katie Wilson, and Maiko Winkler-Chin.

The other caucus will focus on the potential use of revenue, as defined by needs, derived from the PRTF recommendations for new progressive revenue sources. Members: Jennifer Adams, Andrew Coak, Lisa Daugaard, Samantha Grad, Councilmember Herbold, Bri Little, Dan Malone, Courtney O'Toole, and Katie Wilson.

Caucuses met briefly to plan offline collaboration. Members of the public observing the meeting had opportunity to provide comment for ten minutes, after which the meeting adjourned.