



**City of Lake Forest Park
City Council Budget and Finance Committee
April 20, 2017
6:00 p.m.
Lake Forest Park City Hall
Lake Forest Room
17425 Ballinger Way NE
AGENDA**

Committee Members: John Resha (Chair), Tom French, and Catherine Stanford

Study Updates (Safe Streets, Safe Highways, and Creeks & Culverts) Including Discussion of Scope Changes and Emergent Needs

Director's Report

Web Based Business Licensing System Briefing

Public Comment

Adjourn

Committee Discussion Documents and Attachments

1. April Budget Monitoring Report
2. Business Licensing System Memo
3. March Budget and Finance Committee Meeting Notes

City of Lake Forest Park

March Budget Status Report, Department Level Detail 3/31/17

Note: At March 31st, we are approximately 12.5% through the biennium. An expense that is evenly distributed throughout the year would have a YTD percentage of 12.5%.

<u>Dept. Number</u>	<u>Description</u>	<u>Budget Amount</u>	<u>YTD Amount</u>	<u>YTD Percentage</u>
Dept 100	City Council 001-100 EXPENSE Totals:	166,842	16,824	10.08%
Dept 110	Executive Services 001-110 EXPENSE Totals:	1,036,829	130,222	12.56%
Dept 120	Legal Services 001-120 EXPENSE Totals:	270,000	34,417	12.75%
Dept 130	Municipal Services 001-130 EXPENSE Totals:	1,192,247	201,009	16.86%
Dept 140	Elections / Voter Costs 001-140 EXPENSE Totals:	70,000	34,886	49.84%
Dept 150	City Memberships 001-150 EXPENSE Totals:	75,178	31,032	41.28%
Dept 160	Finance & Information Services 001-160 EXPENSE Totals:	1,185,937	146,034	12.31%
Dept 170	State Audit 001-170 EXPENSE Totals:	54,000	-	0.00%
Dept 200	Municipal Court 001-200 EXPENSE Totals:	1,077,758	147,652	13.70%
Dept 210	Prosecutor & Public Defense 001-210 EXPENSE Totals:	367,195	43,281	11.79%
Dept 300	Law Enforcement 001-300 EXPENSE Totals:	6,361,164	861,607	13.54%
Dept 310	Crime Watch/Community Policing 001-310 EXPENSE Totals:	15,000	1,327	8.85%
Dept 320	Emergency Management 001-320 EXPENSE Totals:	90,000	38,909	43.23%
Dept 321	Traffic Safety Camera Program 001-321 EXPENSE Totals:	930,000	76,000	8.17%
Dept 330	Dispatch Services 001-330 EXPENSE Totals:	266,670	-	0.00%
Dept 340	Civil Service Commission 001-340 EXPENSE Totals:	17,800	-	0.00%

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Dept 370	Environmental Services 001-370 EXPENSE Totals:	22,000	705	3.20%
Dept 400	Detention Services 001-400 EXPENSE Totals:	315,000	10,621	3.37%
Dept 500	Community Service Programs 001-500 EXPENSE Totals:	417,485	23,498	5.63%
Dept 510	Public Health 001-510 EXPENSE Totals:	6,000	842	14.03%
Dept 600	Planning Services 001-600 EXPENSE Totals:	936,083	104,349	11.15%
Dept 610	Building Services 001-610 EXPENSE Totals:	426,300	47,043	11.04%
Dept 700	Parks Gen. Op./Maint. 001-700 EXPENSE Totals:	564,758	60,868	10.78%
Dept 710	Facilities Maintenance 001-710 EXPENSE Totals:	443,323	52,225	11.78%
Dept 720	Street Maintenance 101-720 EXPENSE Totals:	343,500	29,317	8.53%
Dept 730	Street Operations 101-730 EXPENSE Totals:	685,914	86,511	12.61%
Dept 740	Transfers/Interfund Svcs. 101-740 EXPENSE Totals:	200,844	47,680	23.74%
Dept 800	Facility Capital Projects 301-800 EXPENSE Totals:	2,000	-	0.00%
Dept 810	Parks Capital Projects 301-810 EXPENSE Totals:	35,000	-	0.00%
Dept 811	Town Center Park 301-811 EXPENSE Totals:	909,150	13,259	1.46%
Dept 820	Capital Transfers-Out 301-820 EXPENSE Totals:	303,317	-	0.00%
Dept 900	Engineering Operations 302-900 EXPENSE Totals:	527,496	49,780	9.44%

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Dept 910	Street Capital Projects 302-910 EXPENSE Totals:	834,000	7,429	0.89%
Dept 920	Pedestrian Capital Projects 302-920 EXPENSE Totals:	210,000	13,960	6.65%
Dept 930	Park & Ride 302-930 EXPENSE Totals:	-	-	0.00%
Dept 940	Safe Highways 302-940 EXPENSE Totals:	635,000	90	0.01%
Dept 750	Sewer Utility Operations 401-750 EXPENSE Totals:	5,022,850	607,157	12.09%
Dept 760	Transfers/Interfund Svcs. 401-760 EXPENSE Totals:	1,009,652	206,466	20.45%
Dept 770	Surface Water Operations 403-770 EXPENSE Totals:	1,551,988	135,781	8.75%
Dept 780	Sur. Wtr. Transfer/Interfund 403-780 EXPENSE Totals:	761,685	47,613	6.25%
Dept 785	Surface Water Services 404-785 EXPENSE Totals:	-	2,432	0.00%
Dept 786	Surface Water Project 1 404-786 EXPENSE Totals:	-	-	0.00%
Dept 787	Surface Water Project 2 404-787 EXPENSE Totals:	-	-	0.00%
Dept 788	Culvert Replacement Program 404-788 EXPENSE Totals:	680,000	57,922	8.52%
Dept 790	Kenmore Contract Ops 450-790 EXPENSE Totals:	1,372,258	205,300	14.96%
Dept 795	Transfers/Interfund Services 450-795 EXPENSE Totals:	355,561	131,699	37.04%



Date: April 20, 2017
To: Budget and Finance Committee
From: Chris Bothwell, Heidi Dunlap-Inglis
Subject: Business Licensing System

The purpose of this memo is to seek feedback from the Budget and Finance Committee on matters related to online business licensing system selection in anticipation of the passage of legislation limiting the City's system options and expediting the City's decision on system selection.

Current State

Currently the City accepts applications in hard copy only and requires payment of the business licensing fees by cash or check. The annual business license fee is \$30 for businesses with an in-city address and \$60 for those with an out-of-city address. Annual business license renewals are required and the fees are the same as a new license application.

The Administration places a high value on providing outstanding service to the community and would like to offer web based options for business licensing and business tax filing. A small appropriation is included in the 2017-2018 budget to implement a web based business licensing system; implementing a web based business tax filing system is considered a phase two of this project.

Several options exist in the marketplace to advance the goal of offering a web based solution for business licensing and tax filing. There is a current State legislative effort to move all local governments to a web based business licensing system. The draft legislation allows local governments to select from one of two systems: the State's Business Licensing System or FileLocal. The purpose of the legislative effort is to simplify compliance with local business licensing requirements for the business community. The legislative proposal and draft legislation follow recommendations from the Task Force on Local Business Tax and Licensing Simplification that was assembled by the 2016 legislature.

The focus of this memo is to provide information on the two systems in anticipation of the passage of the pending legislation and to seek feedback on preferences related to the two systems. It appears that the final system selection will be within staff's contracting authority and the Administration expects to exercise its authority to make the final selection.

Options

Washington State Business Licensing System (BLS)

The BLS is a system operated by the Washington State Department of Revenue and is utilized by the State and nearly 70 cities for business licensing. To utilize the system a business logs onto the BLS and completes the application or renewal process, then makes a payment of the applicable fees in the system. When approved by the City a license is mailed to the business by the BLS. Users pay \$19 and \$11 (the “BLS user fee”) for new applications and renewals, respectively, in addition to the City’s business licensing fees. A percentage is also charged for customers paying by credit card. Only one BLS user fee is due for each BLS session, so a business applying for, or renewing, multiple city or regulatory licenses in a single session would only pay one BLS user fee, regardless of how many city licenses were applied for or renewed. There is no charge to partner cities for partnering with the BLS.

BLS staff informally stated that the Department of Revenue is not currently considering system enhancements that would allow the BLS to accept local business tax filings and payments. As such, the BLS seems to favor local jurisdictions with a business licensing structure, but without a local business and occupations (B&O) tax.

FileLocal

FileLocal is a system built and operated by four partner cities: Bellevue, Everett, Seattle, and Tacoma. The system is operating in some capacity for all four partner cities, but has not been fully implemented in all four cities. The system was designed with the functionality to add subscriber cities (hereinafter referred to as “Subscribers”), but no cities have signed on as a subscriber as of March 31, 2017. The FileLocal system accepts business license applications and renewals including payments, plus local B&O tax returns and payments. To utilize the system a business logs onto the FileLocal system and completes the required process(s) and make the applicable payments. When approved by the city an electronic license file is sent to the business, the business can then print the license for display at the business location or for another purpose. The City can choose to also mail a license to the business. Businesses utilizing the system pay a user fee of \$5 (the “FileLocal user fee”), plus credit card fees, if applicable. The FileLocal user fee is applicable to each form filed; multiple forms filed in a single session would cause a business to pay multiple fees in a single session. Tax returns filed with no tax due are filed for no fee.

Subscribers pay an annual fee to subscribe to the system. The annual fee is the local government’s relative percentage of the FileLocal annual operating budget net of FileLocal user fees collected. Staff has requested an estimate of the annual fee due, but has yet to receive an estimate from FileLocal staff. Additionally, a one-time fee may be required to implement FileLocal for subscriber cities, the value of that fee is the incremental cost of on-boarding. An estimate of the fee is not currently available, but FileLocal staff expects the fee to be low for early subscribers to incentivize adoption.

Analysis

The Administration desires to deliver a customer focused solution that presents opportunities for improved efficiency for city processes. The following attributes and functionality have been

identified by staff as being important to the City’s ability to deliver a solution that provides a good customer experience and meets the Administration’s needs.

- Web based system with easy navigation;
- Availability of licensing and tax filing;
- Multiple electronic payment options;
- Consistency with other local jurisdictions;
- Non-exclusive use allowing the City to maintain traditional hard-copy processes;
- Short turnaround and processing times for customer processes; and
- Low cost and fees for users and the City.

The following matrix indicates whether each system includes the attribute or functionality (hereinafter referred to as “criteria”) listed above.

<i>Attribute and Functionality Matrix</i>		
<u>Attribute/Functionality Description</u>	<u>BLS</u>	<u>FileLocal</u>
Web Based, Easy Navigation	Yes	Yes
Licensing and Tax	No	Yes
Electronic Payment Types	ACH/CC	ACH/CC
Consistency with Other Local Jurisdictions	Yes	Yes
Non-Exclusive Licensing	No	Yes
Additional Processing Time	3-5 Days	None
User Fees*	\$19/\$11	\$5
Fees Paid by City**	None	Yes
*Both systems also charge a percentage fee for credit card payments		
**Amount of charge is undetermined		

Two of the aforementioned criteria are satisfied by both systems: web based system with easy navigation and multiple electronic payment options, beyond those two criteria the systems differ.

The BLS offers business licensing, but does not offer tax filing. Similarly, the BLS offers consistency with other local jurisdictions for licensing, but due to its lack of tax filing functionality does not offer consistency for local taxes. The BLS requires that all business licenses are processed in the BLS system and is considered the exclusive method of applying or renewing for a business license with partner cities. Currently, Lake Forest Park processing times for new business license applications are one to three days from receipt to issuance, the BLS will add three to five days to those processing times. Finally, while there is no fee for the City’s use of the BLS, BLS user fees are \$19 for a new license application and \$11 for renewals.

FileLocal offers both licensing and tax filing and consistency with other local jurisdictions in both areas. FileLocal is also non-exclusive, allowing the City to offer traditional hard copy methods of business licensing and tax filing. FileLocal would not compromise the processing times for new business license applications and may even reduce times as applicants have the ability to print business licenses from an electronic file, rather than waiting for a mailed copy. FileLocal user fees are \$5; subscriber cities also pay an annual fee to subscribe to the system.

Conclusion

In general FileLocal appears to satisfy more of the desirable criteria than the BLS, most notably the ability for customers to file tax returns in the system. FileLocal is, however, in its infancy, is not fully operational for all partner cities, and has not on-boarded any subscribers, all of which represent a significant amount of uncertainty and risk. Adding subscribers to the FileLocal system is, however, an important part of the FileLocal business model and the FileLocal agency appears to have the technical resources to implement the subscriber model. The risk associated with implementing FileLocal is primarily focused on the timing of implementation and the ongoing annual costs to subscribe.

In contrast, the BLS is a well-developed and low cost system running on a stable time-tested platform. Implementation of the BLS is very low risk, but would not allow the City to offer all of the functionality that the Administration believes would best serve our customers.

As was mentioned earlier in this correspondence, lawmakers are currently considering legislation to force local jurisdictions onto one of these two systems. While that effort satisfies the need to centralize local business licensing filing and renewals, it does not advance the goal of offering an online business tax filing option for Lake Forest Park customers. It follows that if a web based tax filing system were implemented by the City later, users would be required to utilize two different systems for license and tax compliance with the City.

Staff expects to make a recommendation to the Mayor on system selection in the near term and is interested in any feedback from the Budget and Finance Committee on attributes, functionality, and/or other matters that will assist staff in preparing a recommendation.



**City of Lake Forest Park
City Council Budget and Finance Committee
Thursday March 16, 2017
6:00 p.m.
Lake Forest Park City Hall
Lake Forest Room
17425 Ballinger Way NE
Meeting Notes**

Committee Members Present: John Resha (Chair), Tom French, and Catherine Stanford

Staff Present: Pete Rose, Frank Zenk, Chris Bothwell, Aaron Halverson, Jake Tracy

Community Members Present: Jason Colberg, Alan Kiest, Mike Dee

Study Updates (Safe Streets, Safe Highways, and Creeks & Culverts)

The City Administrator and Environmental Projects Manager presented updates on the Safe Streets Study, Safe Highways Study, and Creeks and Culverts Study.

Permit Tracking Software Electronic Payment Presentation

The Assistant Planner presented the status of integrating electronic payments with the soon to go-live new planning software.

Director's Report

The Finance Director presented an update on finance related matters.

General Fund Revenue Capacity Study Presentation

The Finance Director presented the Revenue Capacity Study Report and a separate draft report of the funding options for studies and projects currently being considered by the City Council.

Public Comment

Jason Colberg, Alan Kiest, and Mike Dee offered comments to the Committee.

Meeting adjourned at 7:15 p.m.