

## **SCA Board of Directors MINUTES**

June 25, 2014 10:00 AM  
Renton City Hall, Conferencing Center  
1055 S. Grady Way, Renton 98057

### **1. Call to Order**

John Marchione, SCA President, welcomed attendees and called the meeting to order at 10:01 a.m.  
Members present: David Baker, Chris Eggen, Don Gerend, Dennis Higgins, Matt Larson, John Marchione, Derek Matheson, Bernie Talmas  
Members absent: Bill Allison, Nancy Backus, Jim Haggerton, Dave Hill, Denis Law  
Staff present: Deanna Dawson, Kristy Burwell

### **2. Public Comment**

President Marchione asked if any member of the public had any public comment. Seeing none, Marchione closed the public comment portion of the meeting.

### **3. Consent Agenda**

David Baker moved, seconded by Chris Eggen, to approve the Consent Agenda. There was no discussion. The motion passed unanimously.

### **4. President's Report**

President Marchione reported on the scheduled discussion with Seattle Mayor Ed Murray regarding regional transit issues. Marchione inquired if anyone else was participating, to which Chris Eggen and Deanna Dawson confirmed they planned to participate, and Dennis Higgins added that Kent Mayor Suzette Cooke planned to participate. Marchione stated that it is important to know if Metro will remain a regional system. Members discussed concerns with the current Metro service guidelines, including geographic equity, and fairness as to measuring route productivity.

Bernie Talmas moved, seconded by Chris Eggen, to create an ad hoc transit policy committee made up of members from the SCA Caucus to the Regional Transit Committee (RTC) and the SCA Board members to recommend policy positions regarding transit to the Public Issues Committee (PIC).

The motion passed unanimously.

## 5. Executive Director's Report

Deanna Dawson, SCA Executive Director, introduced Kathleen Austad, SCA's intern for the summer. Austad is finishing her degree at Western Washington University (WWU) and working on the First Lady Michelle Obama's Let's Move! Initiative and getting member cities more involved with this program.

Dawson reported on the work of the Communities of Opportunity; a joint effort between King County and the Seattle Foundation working towards eliminating disparities of health and wellbeing in the county. Dawson reported that there is a new planning grant to do work through the Living Cities Initiative that could be very beneficial for cities in our region. Dawson also reported on the Youth Action Plan Task Force.

Dawson reported on a discussion with Microsoft regarding their legislative priorities, and passed out a handout ([Attachment A](#)).

Dawson reported on a meeting with staff from Congressman Jim McDermott's office and discussed a possible training for SCA members regarding working with the federal legislative delegation.

Dawson gave a presentation to the cities of Maple Valley, Covington, and Black Diamond at their tri-city council meeting. It was well received. Dawson reported that she will give a presentation at the next Woodinville council meeting.

Dawson reported that letters have been sent to mayors and city managers/administrators regarding the SCA dues for 2015. She has received some comments, mostly stating the letter was received and thanking SCA for the information. Dawson highlighted that the city of Kent's supportive comment.

Then Dawson reported that she's working on a press release regarding the oil train safety issue.

Since the PIC may not meet in August, Dawson noted that the Board may want to discuss its August meeting schedule.

Dawson reported that she's been working with the King County Executive's office on ways to better work with the Economic Development Council of Seattle and King County (EDC). Dawson mentioned that the county recently hired a new Economic Development advisor.

Bernie Talmas commented that the Regional Policy Committee (RPC) had a presentation on Health and Human Services and the differences in mortality and health outcomes in the county. Talmas would like to see more in depth information on this issue.

David Baker announced that he has received confirmation that Representative Suzan DelBene plans to join the North End Mayors at their next lunch meeting, and intends to attend a couple times per year.

Dennis Higgins referenced the book “Confronting Suburban Poverty in America” from the Brookings Institute, and noted the disparities in King County. Dawson noted that this book is available in the SCA library if a member would like to borrow it.

Eggen was pleased to hear about the work that Kathleen would be doing, and noted that he thought it would be beneficial for cities to learn from each other on health initiatives.

## 6. Finance Committee Report

Treasurer Don Gerend, Finance Committee Chair, reported that the SCA Finance Committee met on June 10, 2014. He provided an overview of that meeting including discussions surrounding the audit as dictated in the board policies; ways that SCA can adjust the budget to allocate enough funds for another staff person; and looking at a potential dues assessment returned to the 2009 level with discussion of a policy to tie annual increases to the CPI.

Bernie Talmas, moved, seconded by David Baker, to approve the following:

- That the part-time analyst position be budgeted at a rate of 25 hours per week for 2015, resulting in savings of \$11,000 for 2015;
  - The committee does not recommend further reducing hours to 20 hours per week;
- That the Board renegotiate the Executive Director’s contract to remove the 2% of salary educational benefit, and change the personnel policies to remove language regarding a 2% educational benefit;
  - The committee recommends that the Executive Director’s contract should still contain a provision for educational benefits, but this should be a flat figure, not a percent of salary. Other staff may also be authorized to take classes which promote their career development and are beneficial to SCA, within the discretion of the Executive Director;
  - For 2015 and in the future, the line item for educational benefits should be a flat figure, not tied to salary levels. The exact figure can be determined after contract renegotiations. This should enable savings of less than the \$5,000 noted in the memo, but of at least \$2,000;
- That the Board not budget \$1,000 for speaker’s fees in 2015;
- That the line item for strategic initiatives should be removed for 2015, and the \$20,000 designated in past years should be devoted to funding additional staff;
- That the line items for communications and outside consulting be consolidated into one single line item for outside consulting. The combined total budget should be reduced to \$10,000, resulting in savings of \$6,000;
- That the Board recommend to the membership that the dues rate be returned to the 2009 level of .5989 per capita.

The motion passed unanimously.

## 7. PIC Chair’s Report

Bernie Talmas, PIC Chair, reported on the most recent PIC meeting.

Bernie Talmas moved, seconded by David Baker, to adopt the following policy position:

*SCA supports adoption by the Growth Management Planning Council of a revised Environmental (EN) Policy 17, which should read as follows:*

*“Reduce countywide sources of greenhouse gas emissions, compared to a 2007 baseline, by 25% by 2020, 50% by 2030, and 80% by 2050. Assuming 1% annual population growth, these targets translate to per capita emissions of approximately 8.5 metric tons of carbon dioxide equivalent (MTCO<sub>2e</sub>) by 2020, 5 MTCO<sub>2e</sub> by 2030, and 1.5 MTCO<sub>2e</sub> by 2050.”*

*SCA further recognizes that the proposed greenhouse gas reduction targets are aspirational and countywide in nature and that cities are encouraged but not required to individually adopt such targets.*

President Marchione complimented the PIC on their hard work to unite the members and identify that it’s a countywide goal.

The motion passed unanimously.

Baker stressed concern on long trains that block intersections preventing emergency vehicles to the other side of the tracks, and there are no funds to improve the grade crossings. Even though, Baker has concerns, he is still in favor of this policy.

President Marchione noted that this policy could help the Puget Sound Regional Council (PSRC) efforts on this issue.

Don Gerend stated that AWC has discussed this issue and will be bringing up at the July 22 meeting in St. Paul, MN, to stress more efforts on the federal level.

Dennis Higgins reported that he is a member of the AWC ad hoc rail committee. Recently, Higgins captured a video from the platform when a train passed by. While Higgins played the video, he noted that the train was over 100 cars long and was exceeding speeds of 40mph, which is the US DOT speed limit in congested areas.

Chris Eggen shared concerns for the safety of the people standing near the train tracks. Eggen stated he was in favor of this policy.

Bernie Talmas moved, seconded by Don Gerend, to adopt the following policy position:

*In order to address the dramatic increase in the amount of oil being transported through our region by rail and vessel transport through our bodies of water, the potential impacts on public safety and economic disruption from a possible crude oil spill incident, the Sound Cities Association (SCA) asks the Federal Government to implement safety regulations regarding oil transport via rail and urges the Washington State Legislature to adopt legislation promoting rail safety.*

*SCA acknowledges there are measures in place to promote the safety of marine transportation and protect state waters from oil spills, but urges the Federal Government and Washington State Legislature to review those measures due to the increased movement of crude oil.*

*SCA also urges rail companies to share the following information with local communities so they may be fully informed and plan for the risks posed by the transport of oil by rail: types of petroleum being transported; transportation routes; the frequency and duration of transfers of petroleum; and efforts and actions to ensure the safe transport of such commodities.*

*SCA urges the King County Office of Emergency Management to review and update the county's incident response plans to address the risk from increased transport of petroleum by rail.*

The motion passed unanimously.

Bernie Talmas moved, seconded by Chris Eggen, to adopt the following policy position:

- 1. Metro Transit must remain a regional transit system;*
- 2. Reforms at Metro Transit need to be fully explored, understood, and clearly communicated;*
- 3. Any transit tax increase adopted by any city to increase service should be sunsetted after no more than three years, in order to ensure that all cities in King County reengage on a system-wide financial plan;*
- 4. The Regional Transit Committee (RTC) should define a minimum level of service standard for all communities in order to preserve connections and service throughout King County;*
- 5. Metro Transit must provide consistent and transparent reporting on financial and service level data;*
- 6. The productivity model at Metro Transit should be reviewed in order to ensure that travel between centers is evaluated fairly; and*
- 7. We must continue to work in partnership with cities, King County, and other coalition members toward the shared goal of a statewide transportation package to address our critical transportation infrastructure needs.*

President Marchione commented that these principles have served members well even in draft form and will provide a base for the ad hoc transit committee.

Marchione noted that the results of the reason ballot measure on Proposition 1 show that where there is good transit service, citizens supported keeping the service. In areas where residents are not well served, they did not support raising taxes to keep the poor service.

Matt Larson continued that the issue of geographic equity is not being fairly considered concerning the Metro transit service cuts. He noted that ultimately all areas of the county need to be well served in order for the system to succeed in the long run.

Chris Eggen stated that the Regional Transit Task Force (RTTF) identified a requirement that there should be reasonable service to the outlying communities; Metro should fulfill its agreement.

Larson commented that many voters may not have enough information on the impacts of transit cuts.

Members discussed possibly drafting an op ed in the future on this topic.

The motion passed unanimously.

8. **City Manager's Report**

Derek Matheson reported that the City Managers and Administrators met on June 4, 2014. The main focus of the meeting surrounded Transportation issues. Matheson reported that AWC has convened an ad hoc freight rail committee, on which SCA members serve. Matheson continued that Lynn Peterson, WSDOT Secretary of Transportation, engaged the group in conversation about transportation and issues that our region and the state are facing, including a huge culvert issue that the legislature has yet to fund, and the need for bridges need to be painted more frequently to help with deterioration.

9. **For the good of the order**

David Baker asked for members to share their permitting fees, specifically tied to SEPA issues.

10. **Adjourn**

The meeting was adjourned at 11:19 a.m.

## Washington State High Technology R&D Tax Incentive Programs and Washington State Rural Data Center Tax Incentive Program

In 1994, in an effort to diversify its economy and stimulate the growth of innovation-based firms in the state, the Washington State legislature adopted two programs to incentivize the performance of R&D in Washington State. The first is a business and occupation (B&O) tax credit for expenditures on research and development operations and the second is a sales tax deferral for research and development facilities and equipment. In the absence of action by the legislature, these programs are scheduled to expire on January 1, 2015.

The State also has a sales and use tax incentive program for server equipment and power infrastructure installed in data centers in rural counties in Washington State. This incentive program was originally enacted in 2010. Without legislative action it is set to expire on July 1, 2015.

### **Impact**

Since the R&D tax incentives were put in place, the technology industry in the state has grown enormously, employing thousands of Washingtonians and buoying the state's economy as other industries have contracted:

- The Technology sector accounts for nearly two-thirds of Washington's job growth since 1990\*.
- The industry growth that has been produced by these tax incentives has led to large increases in tax revenues to the state – dwarfing the savings that taxpayers in the program have experienced.
  - In 2011 alone the technology sector generated over \$2.9 Billion in direct, indirect and induced sales and business and occupation tax revenues to the State of Washington\*.
  - Since the beginning of the program taxpayers utilizing the incentives have saved \$434.2 Million in B&O taxes and \$692.9 million in sales and use taxes\*\*.
  - Washington is in the first quartile of state in R&D spending as a percentage of gross domestic product.

Grant County, Washington has experienced enormous economic growth as a result of the arrival of the data centers in Quincy and Moses Lake.

- In 2006 Grant County added about \$125 million to its property tax rolls, in 2008 it added \$462 million and it added \$1.5 billion in 2010. This expanded tax base resulted in increased property tax receipts by the county from \$8.2 million (2006) to \$13.6 million (2010) an increase of 65%.
- In the city of Quincy, with its population of 7,000, the assessed value grew from \$260 million in 2006 to over \$1 billion in 2009 during a time when residential values across the state were falling. As a result, Quincy was able to lower its levy rate from \$3.14 per \$1,000 in 2007 to \$2.40 per \$1,000 in 2012, reducing property taxes on a home worth \$150,000 by more than \$100 per year while rapidly expanding services for its citizens.

\*Washington Research Council,

<http://researchcouncil.files.wordpress.com/2013/08/vibranttechsectorfinal012914.pdf>

\*\*Washington State Department of Revenue, 2013

\*\*\*National Science Foundation, 2008

\*\*\*\*According to the Washington Research Council, technology employers generated more than \$3.06 billion in state and local taxes in 2012. Extrapolating this figure over the proposed 26-year extension assuming the 4.6 percent average annual growth rate DOR has predicted for the sales tax deferral program produces the \$169 billion estimate.

- Finally, with the data centers bringing an estimated 960 – 1700 new jobs since the beginning of their emergence in the County, the average wage rate in the County has grown at a faster rate than surrounding counties and faster than the state as a whole. Over the ten year period from 2003 to the present day, average wages in the state increased 33 percent while wages increased 40 percent in Grant County.

### **The Case for Renewal**

Keeping this high value R&D activity located in Washington State is critical to maintaining the benefits the state has received in return. With almost two-thirds of Washington's job growth since 1990 coming from the tech industry, and a huge return to the state treasury in tax receipts, Washington should continue to make this investment in this key industry. Other states are offering a hospitable environment for these high value activities; Washington should not become uncompetitive.

- Forty-four other states offer R&D tax credits for operating expenses. Those that don't (KY, NV, OK, SD, WY and TX) have state economies driven by other industry sectors, like gambling or natural resource extraction.
- Thirty-two states offer sales and use tax exemptions for R&D machinery and equipment. If our state wants to compete for these types of companies – and the jobs, economic activity and taxes they generate – it must remain cost-competitive.

For data center investments, increasingly other localities are offering aggressive incentive packages and even reduced energy rates to compete for the data center installations. Washington State exemption briefly expired in 2011 during which time several data centers were then constructed in Oregon. The legislature then reinstated the exemption in 2012.

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