

# KETCHIKAN CHARTER COMMISSION

## AGENDA STATEMENT

NO. H-2

MEETING OF March 11, 2005

### ITEM TITLE

Amend Article X, Section 10.07: Property Tax Limit  
(Second Reading)

SUBMITTED BY Debby Otte

### SUMMARY STATEMENT

Section 10.07 sets out a property tax limit. Whether to have a property tax limit is a policy choice and one that was discussed at length in the fall of 2004, with the decision of the Charter Commission to delete this section, however, that vote and change did not go as intended. While voters tend to like property tax caps, such caps tend to restrict the options for funding public services and the Commission has expressed their belief that a super-majority requirement for any tax increase is sufficient.

### **SECTION 10.07 PROPERTY TAX LIMIT (AS CURRENTLY IN THE CHARTER)**

THE AREAWIDE PROPERTY TAX LEVY SHALL NOT EXCEED ONE (1%) PERCENT (10 MILLS) OF THE ASSESSED VALUATION OF THE PROPERTY TO BE TAXED. THE VOTERS MAY RAISE THIS LIMIT BY AN AFFIRMATIVE VOTE OF THE MAJORITY OF THE VOTERS PARTICIPATING IN A SPECIAL OR REGULAR ELECTION. THIS SECTION SHALL NOT IN ANY WAY LIMIT THE ABILITY OF THE MUNICIPALITY TO MEET ITS BONDED OBLIGATIONS AND IN NO EVENT SHALL THE PROPERTY TAX LEVY DURING A YEAR EXCEED THREE PERCENT (THIRTY MILLS) OF THE ASSESSED VALUE OF THE PROPERTY IN THE MUNICIPALITY.

This subject has been discussed at length over the past year. There is clearly a division of thought on the subject of a tax cap, both on the Commission and within the community. Listed below are several options for handling this contentious issue. Option (c) listed below was adopted in first reading by the Commission at the meeting of 3/11/05. Other options and the opinion of the attorneys are included as part of this agenda statement for further review by the Commission.

(c)

#### Section 10.07 Property Tax Limit

The areawide property tax levy shall not exceed two-tenths (.2%) [~~one (1%)~~] percent (2 mills) [~~(10 mills)~~] above the rate levied in the prior fiscal year of the assessed valuation of the property to be taxed. The Assembly may raise this limit by a super-majority vote (2/3), advertised for a minimum of one month prior to the first of two noticed meetings[-] or may elect to have [~~7~~]the voters [~~may~~] raise this limit by an affirmative vote of the majority of the voters participating in a special or regular election. This section shall not in any way limit the ability of the Municipality to meet its bonded obligations and in no event shall the property tax levy during a year exceed three percent (thirty mills) of the assessed value of the property in the Municipality.

**(c) RECOMMENDED ACTION**

**"I move to adopt the changes to Section 10.07 as indicated above by setting a cap as a percentage above the prior fiscal year's rate, giving the Assembly specific notice and advertisement criteria prior to requiring a super-majority vote of the Assembly to raise the cap, and giving the Assembly the option of seeking voter approval as opposed to the requirements for Assembly approval of the raise in the cap in the second reading."**

**(1 alternate)**

**RECOMMENDED MOTION:**

**"I move to delete Article X, Section 10.07 in its entirety."**

~~~~~

**(2 alternate)**

**Section 10.07            Property Tax Limit**

The areawide property tax levy shall not exceed two-tenths (.2%) [~~one (1%)~~] percent (2 mills) [~~(10 mills)~~] above the rate levied in the prior fiscal year of the assessed valuation of the property to be taxed. The Assembly may raise this limit by a super-majority vote (2/3), advertised for a minimum of one month prior to the first of two noticed meetings. [~~The voters may raise this limit by an affirmative vote of the majority of the voters participating in a special or regular election~~]. This section shall not in any way limit the ability of the Municipality to meet its bonded obligations and in no event shall the property tax levy during a year exceed three percent (thirty mills) of the assessed value of the property in the Municipality.

**(2) RECOMMENDED MOTION:**

**"I move to adopt the changes to Section 10.07 as indicated above by setting a cap as a percentage above the prior fiscal year's rate, giving the Assembly specific notice and advertisement criteria prior to requiring a super-majority vote of the Assembly to raise the cap, and deleting reference to voter approval."**

~~~~~

**(3 alternate – John Harrington)**

**Section 10.07            Property Tax Limit**

The areawide property tax levy shall not exceed one (1%) percent (10 mills) of the assessed valuation of the property to be taxed. The Borough Assembly by ordinance may raise this property tax cap by a super-majority vote (2/3) of the Assembly or the voters may raise this limit by an affirmative vote of the majority of the voters participating in a special or regular election. This section shall not in any way limit the ability of the Municipality to meet its bonded obligations and in no event shall the property tax levy during a year exceed three percent (thirty mills) of the assessed value of the property in the Municipality.

**(3) RECOMMENDED MOTION:**

**"I move to adopt the change to Section 10.07 as indicated above by providing the option of either having the Assembly have the authority to change the cap requiring a super-majority (2/3) vote of the Assembly or to continuing to allow the voters to vote on the issue."**

**CONTINUED**

Scott Brandt-Erichsen writes:

As to the tax cap, the idea of a year to year increase limit of 2 mills unless there is a supermajority would be a legitimate approach. I would suggest some adjustment of the phrases to read more clearly. An example would be:

**(4 Alternate – Scott Brandt-Erichsen):**

changes Section 10.07 to read: the increase in the rate of the areawide property tax levy from one year to the next shall not exceed two-tenths (.2%) ~~one (1%)~~ percent of the assessed valuation of the property to be taxed, (2 mills) ~~{(10 mills)}~~ above the rate levied in the prior fiscal year. The Assembly may raise this limit by a super-majority vote (2/3), advertised for a minimum of one month prior to the first of two noticed meetings[-] or may elect to have ~~[7]~~the voters ~~[may]~~ raise this limit by an affirmative vote of the majority of the voters participating in a special or regular election. This section shall not in any way limit the ability of the Municipality to meet its bonded obligations and in no event shall the property tax levy during a year exceed three percent (thirty mills) of the assessed value of the property in the Municipality.

Moving the phrase regarding the mill rate reduces the risk of confusion regarding whether the 2% refers to the prior year rate or the value of the property. As to the public vote part, it is really a policy choice. Technically the ballot proposition for an increase would likely appear as a ratification of an ordinance or resolution adopted by the assembly subject to vote ratification. The language proposed above need not be adjusted to achieve this purpose.

**(4) RECOMMENDED MOTION:**

**"I move to adopt the changes to Section 10.07 as indicated above by adding the phrases increase in the rate of the prior to areawide property tax levy, from one year to the next prior to shall not exceed; setting a cap as a percentage above the prior fiscal year's rate, giving the Assembly specific notice and advertisement criteria prior to requiring a super-majority vote of the Assembly to raise the cap, and giving the Assembly the option of seeking voter approval as opposed to just the requirements for Assembly approval of the raise in the cap."**

Steve Schweppe writes:

Voter Approval of Property Tax Increases. If you want to give voters authority to increase taxes beyond a fixed increase, you need to say so. Unless the Charter says otherwise, voters have direct power only in the initiative, referendum and Charter amendment processes. While the Assembly can call for a vote, that vote is only advisory and is not binding on the Assembly. The Assembly may not deadlock on an increase of more than 2 mills until late in the process, when an election may not be feasible. If they have the time they could just as soon increase the cap by a Charter amendment. I would leave out the reference to a vote. It is unlikely that the Assembly would reject an advisory vote to increase taxes or would be unable to use the Charter amendment process more effectively than a vote under the tax cap.