

KETCHIKAN CHARTER COMMISSION
AGENDA STATEMENT

NO. H-3

MEETING OF March 25, 2005

ITEM TITLE

Amend Article X, Section 10.08: Taxation:
Supermajority Requirement to Raise Taxes or Fees
Limit (Second Reading)
SUBMITTED BY Debby Otte

SUMMARY STATEMENT

Section 10.08 requires a supermajority vote of the assembly to raise taxes. Alaska Statute 29.45.240 calls for the rate of property tax levies to be determined annually. These rates are set by resolution. The Charter section appears to make an implicit assumption that an increase in the property tax levy from one year to the next is an increase in the levy. Because the levy must be set each year, and in the absence of a resolution setting the levy for a given year the levy is zero, arguably there is no default rate from which the property tax levy would be increased.

While the intent of this section may be satisfied by applying that implicit assumption, the voter ratification concept is unworkable for property tax levies, and is problematic for fees. The levy must be set by June 15 of each year. It would be a practical impossibility to have a voter ratification of an increased property tax levy. There is potential for problems with the timing of special elections for increases to fees and taxes in order to meet the deadlines for the budgetary process. The inclusion of fees in the section may create situations where government would not be able to respond in a timely manner to increased costs to provide services. The very minimum amount of time required to hold a special election is 60 days. This does not include the time required for the Assembly to pass a resolution or ordinance to call the election, nor the time to certify the election. This section may still work as drafted, but these limitations should be noted.

The following amendment to the section was approved at the Commission meeting of 3/11/05. at the request of the Commission, the other options were left with the agenda item.

10.08 Taxation: Supermajority Requirement to Raise Taxes ~~or Fees Limit~~

Any ordinance or resolution that will increase the rate of fees, sales tax levies or increase the rate of property tax levies on an areawide, nonareawide or service area basis above the rate levied in the prior fiscal year shall require the affirmative vote of two-thirds (2/3) of the Assembly, or be approved by a majority of the qualified voters who vote on the ordinance or resolution at a general or special election.

If the increase in the rate of levy of the general sales tax ~~or~~ use tax ~~or fee~~ is limited to a service area or is nonareawide, the vote is limited to those qualified to vote in that area.

RECOMMENDED MOTION:

"I move to amend Article X, Section 10.08 by adding the underlined language as shown above and striking the reference to fees from the title and body of the section in the second reading."

CONTINUED

Other SUGGESTED CHANGES to Section 10.08:

(1)

10.08 Taxation: Supermajority Requirement to Raise Taxes [~~OR FEES Limit~~]

Any ordinance or resolution that will increase the rate of [~~increase fees~~], sales tax levies or increase the rate of property tax levies on an areawide, nonareawide or service area basis above the rate levied in the prior fiscal year shall require the affirmative vote of two-thirds (2/3) of the Assembly. [~~or be approved by a majority of the qualified voters who vote on the ordinance or resolution at a general or special election. If the increase in the rate of levy of the general sales tax, use tax or fee is limited to a service area or is nonareawide, the vote is limited to those qualified to vote in that area.~~]

(1) RECOMMENDED ACTION:

"I move to amend Article X, Section 10.08 by deleting reference to fees as part of the requirement, adding the underlined language and by deleting the voter approval option as shown above."

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(2)

**10.08 Taxation: Supermajority Requirement to Raise Taxes or Fees Limit**

Any ordinance or resolution that will increase the rate of fees, sales tax levies or increase the rate of property tax levies on an areawide, nonareawide or service area basis above the rate levied in the prior fiscal year shall require the affirmative vote of two-thirds (2/3) of the Assembly. [~~or be approved by a majority of the qualified voters who vote on the ordinance or resolution at a general or special election. If the increase in the rate of levy of the general sales tax, use tax or fee is limited to a service area or is nonareawide, the vote is limited to those qualified to vote in that area.~~]

(2) RECOMMENDED ACTION:

"I move to amend Article X, Section 10.08 by adding the underlined language and deleting the voter approval option as shown above."

**Excerpt from the 3/11/05 meeting minutes:**

It was understood that all the options would be brought back on an agenda statement for further review at the next meeting. THOMPSON said that if he'd read the City's comments correctly, they'd just as soon leave everything to a simple majority as it is now. If they want to raise fees, sales taxes or property taxes, they do it with a simple majority. The Borough takes theirs to the voters, so this super-majority is a compromise between the two entities.