

# KETCHIKAN CHARTER COMMISSION

## AGENDA STATEMENT

NO     I-2    

MEETING OF **August 5, 2005**

### ITEM TITLE

Deletion of all reference in the Charter, Budget, Budget narrative and Transition Plan of the movement of ¼% Public Works sales tax revenue from the Gateway Service Area to the consolidated Municipality of Ketchikan

SUBMITTED BY Debby Otte

### SUMMARY STATEMENT

One of the issues brought forth in the City's Responsive Brief to the submitted 2004 Consolidation Petition was the movement of ¼% of sales tax revenues from the Gateway Service Area to the Municipality for the purposes of maintaining those structures whose functions were being transferred to the Municipality for areawide use and therefore cost. The City indicated that should the Municipal budget need additional funds for those purposes, the areawide taxes should reflect that amount.

The Commission had a number of discussions on this issue prior to passage of the transfer of that ¼%. Excerpts from those minutes are attached for review.

### RECOMMENDED MOTION:

"I move to restore the ¼% Public Works sales tax to the Gateway Service Area in all areas of the Petition, including the Charter, the budget, the budget verbiage and the transition plan."

**From the meeting minutes of 4/22/05:**

**¼% Sales Tax Revenue:** This is the quarter percent going from the GSA to the Municipal General Fund. The City's contention is that if the ¼% is needed, put that ¼% in there, but don't take it out of the GSA. THOMPSON said that after the discussions by the Commission, he's just going to take that movement of the ¼% back where it was.

OTTE pointed out that an agenda statement to do that. That would be a technical thing to take that ¼% because we did vote on it. THOMPSON said an agenda item would probably be needed for all the modifications to the budget because the tax effects are going to be shown with some of these changes, so an agenda item would certainly be warranted. He said all of it might be able to be covered at once. That one might be one to handle separately because it is in a separate area of the Code.

HARRINGTON asked whether the ¼% specified in the Charter and it was pointed out that it wasn't in the Charter, but in the Transition Plan. He continued that since we have specified that the new Assembly may change the taxes however they want. HARRINGTON said that it's in the Transition Plan merely to give a guess as to how the Commission perceives this happening, so however THOMPSON wants to do it to adjust the budget, it's clear that the ¼% is not in concrete. When the final plan vote comes, let's vote on the new Transition Plan, not just the parts.

Later in the meeting, HARRINGTON pointed out that the ¼% **is** in the Charter, Section 16.06(b), so at the next meeting, the second paragraph will need to be eliminated if we are not going to take that money. The City, said THOMPSON, is objecting strongly to this transfer of monies. HARRINGTON said that the new Assembly will have the ability to adjust this if, in their wisdom in the future, it is determined that those funds are needed in the Municipality rather than just the GSA.

OTTE said that we'd already determined that those funds were needed in the Municipality and there was good reasoning behind why we made that ¼% change. She said this might be a little contentious when it's brought back for a vote of the Commission.

**FROM the Petition, EXHIBIT F, P7**

Revenues earned by the Gateway Service Area will come primarily from property taxes (31% of total revenues), sales taxes (52%) and charges for services (17%). The sales tax will consist of a one percent (1%) tax for public safety and a one and one and one-quarter percent tax (1.25%) for public works. The remaining one-quarter percent (.25%) of the City's current 1.5% Public Works sales tax will be changed to an areawide sales tax.

**FROM the Petition, EXHIBIT J, P19 (c)**

Engineering services will be paid for by the Gateway Service Area's Special Revenue Fund.

Funding of the Public Works Engineering Division on a service area basis; termination of the existing City's one and one-half percent (1.5%) Public Works Sales Tax; and imposition of a one and one-quarter percent (1.25%) Gateway Service Area Public Works Sales Tax will become effective the first day of the service area's initial fiscal year.

**FROM the Petition, EXHIBIT J, P19 (d)**

Funding of the Public Works Streets Division on a service area basis; termination of the existing City's one and one-half percent (1.5%) Public Works Sales Tax; and imposition of a one and one-quarter percent (1.25%) Gateway Service Area Public Works Sales Tax will become effective the first day of the service area's initial fiscal year.

**FROM the Petition, EXHIBIT J, P20 (f)**

Funding facility and vehicle maintenance on a service area basis; termination of the existing City's one and one-half percent (1.5%) Public Works Sales Tax; and imposition of a one and one-quarter percent (1.25%) Public Works Sales Tax will become effective the first day of the service area's initial fiscal year.

**FROM the Petition, EXHIBIT J, P27**

Paragraph (b) of Section 16.06 of the proposed charter of the consolidated Municipality also obligates the Assembly, within one year of the first election under the charter, to apply one-quarter percent (.25%) of the levy of the former City of Ketchikan's one-and-one-half percent (1.5%) Public Works and other purposes sales tax on an areawide basis throughout the Municipality with the revenues from the areawide levy being appropriated for the Municipality. The ratification requirement of Section 10.05(b) shall not apply to this one-quarter percent areawide levy. The remaining two-and-one-quarter percent (2 1/4%) of the former City of Ketchikan's sales tax shall be appropriated for the Gateway Service Area. Sales tax levies required by this section shall remain in effect until changed as provided in this Charter. The express intent of this provision is to permit the Assembly to adjust the City of Ketchikan's existing one percent Hospital sales and use tax and one-and-one-half percent Public Works sales and use tax, in order to fund existing services on an areawide basis. The provision is not intended to grant the Assembly the ability to levy any new sales and use taxes. The former City of Ketchikan's one percent (1%) Hospital Sales Tax will be terminated effective the first day of the consolidated Municipality's initial fiscal year. Concurrently a one percent (1%) areawide Hospital Sales Tax will be assessed as a borough-wide sales tax to fund the consolidated Municipality's areawide Hospital and Mental Health/Substance Abuse powers.

The former City of Ketchikan's one & one-half percent (1.5%) Public Works Sales Tax will be terminated effective the first day of the consolidated Municipality's initial fiscal year. Concurrently a one-quarter percent (.25%) areawide Public Works Sales Tax will be

assessed as a borough-wide sales tax to fund the consolidated Municipality's areawide Public Works. A one-and-one-quarter percent (1.25%) Public Works Sales Tax will be assessed in the Gateway Service Area to fund that service area's Public Works.

**FROM the CHARTER, Section 16.06 (b)**

(b) **Sales and Use Taxes.** All sales and use taxes levied within the former City of Ketchikan and the former Ketchikan Gateway Borough shall remain in effect until changed as provided in this Charter. Within one year from the first election under this Charter, the Assembly shall apply the levy of the former City of Ketchikan's one percent (1%) Hospital and other purposes sales tax on an areawide basis throughout the Municipality, with the revenues from the areawide levy being appropriated for the Municipality. The ratification requirement of Section 10.05(b) shall not apply to this initial one percent areawide levy.

Within one year from the first election under this Charter, the Assembly shall apply one-quarter percent (.25%) of the levy of the former City of Ketchikan's one and one-half percent (1.5%) Public Works and other purposes sales tax on an areawide basis throughout the Municipality, with the revenues from the areawide levy being appropriated for the Municipality. The ratification requirement of Section 10.05(b) shall not apply to this initial one-quarter percent (.25%) areawide levy. The remaining two-and-one-quarter percent (2.25%) of the former City of Ketchikan's sales tax shall be appropriated for the Gateway Service Area. Sales tax levies required by this section shall remain in effect until changed as provided in this Charter.