

KETCHIKAN CHARTER COMMISSION

AGENDA STATEMENT

NO 1 - 5
MEETING OF August 6, 2004

ITEM TITLE Amend Exhibit F and all Draft Documents (First Reading) SUBMITTED BY Glen Thompson, Chair
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SUMMARY STATEMENT

During the course of the deliberations of the Charter Commission, the subjects of the Public Works functions and assignment have been discussed many times. The equity of moving several of the current City Public Works departments to the consolidate Municipality make sense in a number of ways.

Engineering services, garage and building facility maintenance will be required throughout the consolidated Municipality and leaving them within the Gateway Service Area would require a Service Area to appropriate funds from the municipal authority, rather than the reverse. This would appear to place the service area's needs and use above the municipality for required action by these departments, which would not be appropriate.

While this change will result in a lowering of the Gateway Service Area sales tax, it will also result in an increase in the areawide sales tax. The Commission is loathe to raise any taxes, but it deems the importance of taking the service providers to the appropriate entity as more important than a tax shift from within the current City to an areawide basis. 85% of the sales taxes are currently collected within the City of Ketchikan, with those living outside the City already contributing to the services currently provided only within the City. It is felt that this change will result in a more equitable distribution of taxes and services.

RECOMMENDED ACTION:

"I move to amend the Draft Petition as follows:

The proposed consolidated budget, tax rates to be established and all related references in the draft documents shall be revised to reflect a consolidated Public Works Department. The PW engineering, garage and buildings functions currently described as part of the Gateway Service Area shall be allocated to the general fund and combined with the public works function of the consolidated General Fund. This will reallocate approximately \$1.5 million per year in operating cost and \$180,000 per year in capital cost from the Gateway Service Area to the consolidated general Fund. To fund this reallocation, the Gateway Service Area Public Works Sales Tax shall be decreased by .75% and a concurrent increase in the areawide general sales tax will

be adopted.”

Excerpts from Scott Brandt-Erichsen's June 11, 2004 memorandum to the Charter Commission include:

1. Exhibit J, page 20, there are numerous operations that would benefit from Engineering services. Contract administration and design services are currently required by the Borough for schools, sewer, water, Parks and Recreation, and other Public Works projects. The engineering services could be more easily be an areawide function for which the Gateway Service Area would pay an intergovernmental charge for the road design needs. Looking at the entire City and Borough, and how the capital projects and responsibilities would be divided after consolidation, the bulk of the demand for Public Works Engineering services would be with the areawide functions, not with the Gateway Service Area. Again, some appropriate portion of the sales tax revenues should follow the function.
2. Exhibit J, page 21, as noted above the current city Public Works Facility and Vehicle maintenance function is not a separate power and should track with the primary powers exercised by the consolidated Municipality which uses facilities and vehicles.
3. Exhibit E-3, page 1-2, this portion has the same issues as noted in comments five, six and seven above. Additionally, the facility and vehicle maintenance reference seems inappropriate as a separately identified power. (**Note: This "power" has been removed from the mentioned list.**) The state statutes provide that a liberal construction shall be given to all powers and functions of a municipality conferred by Title 29, and that unless otherwise limited by law, a municipality has and may exercise all powers and functions necessary were fairly implied in or incident to the purpose of all powers and functions conferred by Title 29. See AS 29.35.400-410. Maintenance of public facilities or vehicles used in the exercise of some municipal or service area power will be, in nearly every case, incidental to the purpose or function of the underlying power. For example, having police powers necessarily includes the ability to maintain police vehicles.

Listing this item as a separate Gateway Service Area power complicates the picture for maintaining facilities and vehicles that are not part of the Gateway Service Area. While it may track with the method currently used by the City to organize its Public Works Department, it does not make sense to have facility and vehicle maintenance be only a service area power, not exercised areawide. It begs the question of what power is being exercised when repairs are made to the Museum or Civic Center buildings, or when vehicles are used by Assessment, Planning, Parks and Recreation, or in Garbage or Sludge operations and those vehicles are repaired. Facility and vehicle maintenance should not be a separate power, but should be administered in relation to each power in a coordinated and cost-effective manner.

While it is not clear, there appears to be a funding issue driving identification of this power in the prior consolidation petition. City Public Works services are funded largely from sales tax. You will notice that the description of existing powers and duties in exhibit J, page 3-5 recognizes the 1 1/2 percent Public Works sales tax as a funding source for the Library, Museum, Civic Center, Mental Health/Substance Abuse, Public Works Engineering, Public Works Streets and Roads, and municipal facility and vehicle maintenance. Although the entire one and one half percent Public Works sales tax is proposed to be retained by the Gateway Service Area, many of those functions funded by that sales tax are identified to no longer be funded by the Gateway Service Area. If some of the current funding for vehicle and facility maintenance and construction for these functions is transferred, then an appropriate portion of the associated sales tax should transfer as well. Otherwise the expense burden on areawide functions is increased without a corresponding transfer of revenues.

I do not know what level of sales tax would most accurately correspond to this shift, ~~or in the event that Fire facilities, equipment and dispatch are treated as areawide as well, what level of Public Safety sales tax should become areawide~~, but I do know that failure to address these issues will result in an artificially higher tax burden on areas outside of the Gateway Service Area and lower tax burden on areas within the Gateway Service Area than is currently experienced.

1. Exhibit G, page 7, regarding the Gateway Service Area, the comments noted above in item 16 are relevant for determining what portion of the Public Works sales tax should be shifted areawide and how the vehicle and building maintenance “ power” should be exercised.

5. Exhibit J, pages 3-5, several of the funds addressed on these pages note reliance on the 1 1/2 percent Public Works sales tax. However, the petition, as noted above, does not allocate that sales tax in proportion to allocation of the services funded by that sales tax.

6. Exhibit J, page 9, regarding facility and vehicle maintenance powers, please see the comments noted above. These are not a separate power, but are ancillary to each of the other powers.

7. Exhibit J, page 18, as noted previously the Public Safety and Public Works sales-taxes may need to be apportioned based upon those services currently funded by those funding sources that are transferred to become areawide functions.

8. Exhibit J, page 28, the figures in the proposed taxation levels should be revised to reflect allocation of powers.