

# KETCHIKAN CHARTER COMMISSION

## AGENDA STATEMENT

NO     H-2      
MEETING OF August 27, 2004

ITEM TITLE Article X: Finance, Section 10.07 (First Reading) SUBMITTED BY Glen Thompson, Chair
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### SUMMARY STATEMENT

During the course of the deliberations of the Charter Commission, the subject of a property tax cap has been discussed many times. It is felt by some that there should be some form of constraint placed within the Charter to require voter approval for any increase in property taxes.

Article X: Finance, Section 10.07 as amended on 08/06/04 currently reads:

The areawide property tax levy shall not exceed nine-tenths (.9%) percent (9 mill) 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.

Since the time of passage on this item, comments have been received regarding the tax cap and associated risks involved by putting an arbitrary figure in the Charter document. As discussed in the work session, the areawide property tax millage is currently at 8.7 mills. It has been pointed out that the leeway allowed by the current version of Section 10.07 of the Charter is insufficient for the needs of the Municipality.

By putting an arbitrary tax cap in the Charter, the Commission is guaranteeing there will be special elections necessary in order for the new Assembly to go about their business. These special elections cost approximately \$10,000 each and are viewed by some as an unnecessary and avoidable expense to place on the new government. The representative-type government that has been chosen should allow the public to elect fiscally responsible individuals to the Assembly of the home-rule borough. Should the Assembly not adhere to a fiscally responsible management of the community's assets, there are remedies for removing those members the public feels are not representing the community as desired.

[See page 2 for further comments]

### RECOMMENDED ACTION:

"I move to replace Article X: Finance, Section 10.07 with the following:

The Assembly, by ordinance, shall establish a property tax levy limit for each and every areawide, nonareawide and service area property tax. Any property tax limits so established may only be increased by at least a 2/3 majority vote of the Assembly."

Voter turn out in past elections has been low, and in some of the special elections, the turn-out has been barely fifteen percent (15%). It is confusing for the voting citizens to be constantly inundated with choices throughout the year. Most citizens are cognizant of the fall election cycle and would be more likely to vote during that time, whether in person or by absentee ballot, just because of the familiarity with the time frame. Requiring special elections to raise the property tax cap will probably generate a low percentage of voter turn out, thereby negating the desire that the entire community have a voice in the change in the property tax mill rate.

The manner in which the current Section 10.07 is written makes it unclear as to whether bonded indebtedness taxation is covered under the section, or if those taxes for the bonded indebtedness are allowed to increase the cap, making the cap itself a more "political" statement than an actual deterrent to fiscal mismanagement.

This proposed compromise amendment to Section 10.07 was developed in order to allow some fiscal leeway for the new Assembly without the necessity of taking a property tax increase to the voters, but making it apparent that fiscal restraint is required in the conduct of the Municipality's business. Given the recent 3-year budget discussions and the fact that the tax rate previously set in the amended Section 10.07 is too low, the Chair is requesting a review of this section and a compromise on the part of the Commissioners in keeping a hard number out of the Charter.