

KETCHIKAN CHARTER COMMISSION

AGENDA STATEMENT

NO H-2 a-f

MEETING OF September 3, 2004

ITEM TITLE Article X: Finance, Section 10.07 (Second Reading) SUBMITTED BY Glen Thompson, Chair

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 read:

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.

Article X: Finance, Section 10.07 as amended in first reading on 08/27/04 reads:

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.

The following comments were addressed in the agenda statement of 8/27/04 in order to explain the need for the above-change:

Since the time of the initial changes 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 8/6/04 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.

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 prior Section 10.07 was written made it unclear as to whether bonded indebtedness taxation would be covered under the section, or if those taxes for the bonded indebtedness would be 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. At the last meeting on August 27, 2004, the Commission passed the amendment by a 4-3 vote. There are other items having to do with a tax cap that are listed prior to the recently approved amendment to Section 10.07, which is back on the agenda for a second reading as ITEM F.

It has been apparent that the Commission was not of one mind on this issue and on 8/28/04, Chair Thompson brought back ITEM A for consideration instead of the 8/27/04 approved change. Liking neither the amendment passed on 8/27, nor Mr. Thompson's suggested change as listed in ITEM A, Mr. Harrington suggested four alternate amendments to Section 10.07 of the Charter. It is anticipated that all of the items will be again discussed during work session at the 9/3/04 meeting and subsequent to that discussion, a vote will occur. It is meant to consider each of these items as a separate entity, however because the items all deal with Section 10.07 of the Draft Charter, they have been included in this one agenda statement.

ITEM A: RECOMMENDED ACTION:

"I move to replace Article X: Finance, Section 10.07 with the following in the first reading:
No increase in the rate of levy of a property tax generally applied on an areawide, nonareawide or service area basis shall become effective except by an ordinance adopted UNANIMOUSLY by the Assembly OR ratified by a majority of the qualified voters who vote on the ordinance in a general or special election. If the increase in the rate of levy of the property tax is limited to a service area or is nonareawide, the vote is limited to those qualified to vote in the area."

Should the above be adopted, the changes below would be included for consistency:

Section 10.05 Taxation: Sales and Use Taxes; Ratification of Sales or Use Tax Rate Increases.
(b) No increase in the rate of levy of a sales or use tax generally applied on an areawide,

nonareawide or service area basis shall become effective except by an ordinance adopted UNANIMOUSLY by the Assembly OR ratified by a majority of the qualified voters who vote on the ordinance at a general special election. If the increase in the rate of levy of the general sales or use tax is limited to a service area or is nonareawide, the vote is limited to those qualified to vote in the area. The Assembly may, by ordinance, but without ratification by the voters, increase the rate of transient occupancy taxes, create or terminate exemptions to the sales tax, change administrative procedures or fees, and increase the rate of levy of sales or use taxes on specifically designated goods or services.

ITEM B:

This holds the current .5-mil buffer between the current tax rate and the limit, but allows for an emergency declaration. This would also allow the Assembly to take the raising of the cap to the voters at the next regular election. They could not raise the limit but could exceed it by emergency declaration.

RECOMMENDED ACTION

"I move to replace Article X: Finance, Section 10.07 with the following in the first reading: The areawide property tax levy shall not exceed ~~nine tenths (.9%)~~ ninety-two hundredths (.92%) percent (~~9 mil~~) (92 mil) 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. The Assembly may levy property tax in excess of this cap if a financial emergency exists and six Assembly members vote in favor of the emergency declaration and in favor of the levy. 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."

ITEM C:

Raises the current .5-mil buffer to .8-mills, but leaves the wording alone.

RECOMMENDED ACTION

"I move to replace Article X: Finance, Section 10.07 with the following in the first reading: The areawide property tax levy shall not exceed ~~nine tenths (.9%)~~ ninety-five hundredths (.95%) percent (~~9 mil~~) (95 mil) 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."

ITEM D:

Deletes any reference to a property tax limit, but requires a supermajority to raise any property tax or fee.

RECOMMENDED ACTION

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

Section 10.07 Taxation: Supermajority Requirement to Raise Taxes or Fees

Delete old 10.07 Substitute:

Any ordinance or resolution that will increase fees or property tax levies areawide, nonareawide, or on a service area basis requires the affirmative vote of three-fourths of the Assembly for passage.

ITEM E:

Holds the current .5-mil buffer between the current tax rate and the limit, but allows an increase in the cap by Assembly action.

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

The areawide property tax levy shall not exceed ~~nine tenths (.9%)~~ ninety-two hundredths (.92%) percent (~~9 mil~~) (92 mil) of the assessed valuation of the property to be taxed. The tax limit may be raised by an affirmative vote of the majority of the voters participating in a special or regular election, or by the affirmative vote of six members of the Assembly on an ordinance raising the limit. ~~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."

ITEM F: RECOMMENDED ACTION:

"I move to replace Article X: Finance, Section 10.07 with the following in the **second** reading:

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."