

Introduced by: Cooper
Date: 03/06/18
Hearing: 04/03/18
Action:
Vote:

**KENAI PENINSULA BOROUGH
ORDINANCE 2018-12**

AN ORDINANCE INCREASING THE BOROUGH SALES TAX RATE FROM 3.0 PERCENT TO 3.5 PERCENT BY AMENDING KP.B 5.18.100, SUBJECT TO APPROVAL BY THE VOTERS IN THE REGULAR ELECTION ON OCTOBER 2, 2018

WHEREAS, due to the continuing decline in state assistance to municipalities along with the increasing loss in property tax revenues to the Kenai Peninsula Borough (“borough”) from exemptions on real property, and due to increasing reliance on borough funding for the school district, the borough must take steps to maintain its unrestricted fund balance into the future within financially prudent and responsible parameters; and

WHEREAS, the borough is authorized by AS 29.45.650 to levy and collect a sales tax on sales, rents, and on services provided in the borough; and

WHEREAS, the borough is currently facing a budgetary deficit of approximately \$4,000,000; and

WHEREAS, the borough is cutting costs but is unable to close this gap long-term without additional revenue; and

WHEREAS, it is estimated that this increase would generate approximately \$5,000,000 in additional annual revenue; and

WHEREAS, increasing the maximum sales tax by 0.5 percent would relieve some of the burden on property owners and shift it to all persons in the borough including both residents and visitors; and

WHEREAS, increasing the sales tax rate from 3.0 percent to 3.5 percent would impose a maximum increase of \$2.50 on each taxable sale of \$500; and

WHEREAS, while the revenue generated from this additional sales tax would be used for educational purposes, it would make other borough revenues available to help maintain the fund balance; and

WHEREAS, voter approval is required to increase the rate of sales taxes; and

WHEREAS, KP.B 5.18.100 must be amended to provide for the increase in the rate of sales tax should the voters approve the proposition;

NOW, THEREFORE, BE IT ORDAINED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That KPB 5.18.100 is hereby amended as follows:

5.18.100. General—Levied—Amount.

- A. There is levied by the borough a consumer's sales tax of up to 3.5 percent maximum rate on all retail sales, on all rents, and on all services made or rendered within the borough, measured by the gross sales price of the seller.
- B. In addition to the tax levied by the borough, any municipality within the borough may levy a consumer's sales tax as provided by Alaska Statute which shall be reported, collected, and enforced according to the terms of this chapter.

SECTION 2. That a ballot proposition shall be placed before borough voters at the regular election on October 2, 2018 to read as follows:

Shall Ordinance 2018-12, providing for an increase of 0.5 percent to the maximum borough sales tax rate, be ratified?

Yes _____ A “yes” vote means you approve of increasing borough’s maximum sales tax rate from 3.0 percent to 3.5 percent.

No _____ A “no” vote means you oppose increasing borough’s maximum sales tax rate from 3.0 percent to 3.5 percent.

SECTION 3. That Sections 2 and 3 of this ordinance shall become effective immediately upon enactment of this ordinance. Section 1 of this ordinance shall become effective April 1, 2019, only if the proposition contained in Section 2 is approved by a majority of voters voting on the question in the regular election of October 2, 2018.

**ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS *
DAY OF *, 2018.**

Wayne H. Ogle, Assembly President

ATTEST:

Johni Blankenship, MMC, Borough Clerk

Yes:

No:

Absent:

Kenai Peninsula Borough Assembly

MEMORANDUM

TO: Wayne Ogle, Assembly President
Kenai Peninsula Borough Assembly Members

FROM: Kelly Cooper, Assembly Member *(B) for K.L.*

DATE: February 22, 2018

RE: Ordinance 2018- 12, Increasing the Borough Sales Tax Rate from 3.0 Percent to 3.5 Percent by Amending KPB 5.18.100, Subject to Approval by the Voters in the Regular Election on October 2, 2018 (Cooper)

The borough is challenged with solving a budget deficit of approximately \$4,000,000. This ordinance would address the budget shortfall in a way that broadens the potential impact on borough businesses. I believe a broad based tax that is collected from everyone is a better solution than targeting a small group. The accommodations and charter fishing industry is already effectively exempt from the cap due to the per person per day computation requirements and is therefore already collecting more sales tax than other businesses.


Increasing the sales tax from 3.0 percent to 3.5 percent will increase the borough's revenues without stifling the economy. The anticipated yearly revenue from the .5 percent increase in sales tax is \$5,000,000.


This is an important step toward reaching a balanced, responsible budget. The shortfall cannot be solved by cuts alone. The borough needs to look to both create new revenue sources and to broaden the impact of taxes levied so that a small proportion of the population is not overburdened by the impact of local government taxes.

Kenai Peninsula Borough
Finance Department

MEMORANDUM

TO: Wayne Ogle, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: Charlie Pierce, Mayor 

FROM: Brandi Harbaugh, Finance Director 

DATE: March 22, 2018

RE: Amendment to Ordinance 2018-12, Increasing the Borough Sales Tax Rate from 3.0 Percent to 3.5 Percent by Amending KPB 5.18.100, Subject to Approval by the Voters in the Regular Election on October 2, 2018 (Cooper)

The administration requests that the effective date of the proposed sales tax increase in this ordinance be scheduled for January 1, 2019, instead of April 1, 2019. This is to align it with the borough's implementation of the new 4.5 percent sales tax on marijuana approved by Soldotna effective January 1, 2019. Implementation of both new rates will require similar modifications to the borough's software. Making the changes simultaneously will save time and expense

Following is the amendment to accomplish this: (Please note that the bold underlined language is new and bold crossed out language is to be deleted.)

➤ Amend Section 3, as follows:

SECTION 3. That Sections 2 and 3 of this ordinance shall become effective immediately upon enactment of this ordinance. Section 1 of this ordinance shall become effective ~~April~~ January 1, 2019, only if the proposition contained in Section 2 is approved by a majority of voters voting on the question in the regular election of October 2, 2018.

Kenai Peninsula Borough
Assembly

MEMORANDUM

TO: Wayne Ogle, Assembly President
Kenai Peninsula Borough Assembly Members

FROM: Norm Blakeley, Assembly Member *(N.B.) for N.B.*

DATE: March 22, 2018

RE: Amendment to Ordinance 2018-12, Increasing the Borough Sales Tax Rate from 3.0 Percent to 3.5 Percent by Amending KPB 5.18.100, Subject to Approval by the Voters in the Regular Election on October 2, 2018 (Cooper)

Although the economy is currently in decline, in four years it may rebound, eliminating the need for additional sales tax revenues generated by the 0.5 percent increase this ordinance would authorize. I would like to amend ordinance 2018-12 to sunset the increase in four years. Voter approval would be needed to continue the higher rate of sales tax at 3.5 percent beyond that four-year period.

Following are my proposed amendments. (Please note that the bold underlined language is new and bold crossed out language is to be deleted.)

- Add two new whereas clauses after the last whereas clause, as follows:

WHEREAS, as the economy may rebound within the next few years eliminating the need for this increase, the borough's best interest would be served by limiting this increase to four years such that it would expire December 31, 2022 unless extended or reinstated through voter approval; and

WHEREAS, voter approval would be required to continue or reinstate this increase after December 31, 2022;

- Amend Section 1 as follows:

SECTION 1. That KPB 5.18.100 (A) is hereby amended as follows:

5.18.100. General—Levied—Amount.

- A. There is levied by the borough a consumer's sales tax of up to 3.5 percent maximum rate on all retail sales, on all rents, and on all services made or rendered within the borough, measured by the gross sales price of the seller. **The 3.5 percent maximum rate shall be reduced by 0.5 percent to 3.0 percent maximum rate effective January 1, 2023.**

➤ Amend Section 2, as follows:

SECTION 2. That a ballot proposition shall be placed before borough voters at the regular election on October 2, 2018 to read as follows:

Shall Ordinance 2018-___, providing for an increase of 0.5 percent to the maximum borough sales tax rate **to 3.5 percent through December 31, 2022,** be ratified?

Yes _____ A "yes" vote means you approve of increasing borough's maximum sales tax rate from 3.0 percent to 3.5 percent **expiring on December 31, 2022.**

No _____ A "no" vote means you oppose increasing borough's maximum sales tax rate from 3.0 percent to 3.5 percent **expiring on December 31, 2022.**

Your support of this amendment would be appreciated.

02018-12

<u>Fiscal Yr</u>	<u>KPB Sales</u> <u>Tax rate</u>
FY1966	3%
FY1967	3%
FY1968	3%
FY1969	3%
FY1970	3%
FY1971	3%
FY1972	3%
FY1973	3%
FY1974	3%
FY1975	3%
FY1976	3%-2%
FY1977	2%
FY1978	2%
FY1979	2%
FY1980	2%
FY1981	2%
FY1982	2%
FY1983	2%
FY1984	2%
FY1985	2%
FY1986	2%
FY1987	2%
FY1988	2%
FY1989	2%
FY1990	2%
FY1991	2%
FY1992	2%
FY1993	2%
FY1994	2%
FY1995	2%
FY1996	2%
FY1997	2%
FY1998	2%
FY1999	2%
FY2000	2%
FY2001	2%
FY2002	2%
FY2003	2%
FY2004	2%
FY2005	2%
FY2006	2%
FY2007	2%
FY2008	2%-3%
FY2009	3%
FY2010	3%
FY2011	3%
FY2012	3%
FY2013	3%
FY2014	3%
FY2015	3%
FY2016	3%
FY2017	3%
FY2018	3%

Provided April 3, 2018

Fiscal Note

Kenai Peninsula Borough
Fiscal Year 2018

Ordinance/Resolution: Ord 2017-_____
Fiscal Note Number:
Publish Date: 3/6/2018

Title: Additional .5% areawide sales tax effective April 1, 2019

Department:

Sponsor: Assemblywoman Kelly Cooper

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

	Current Year Estimate	Out-Year Cost Estimates	
		Year2	Year 3
	Current Year		
Operating Expenditures	2019	2020	2021
Personnel	3,240	-	-
Supplies	250		
Services	10,000	1,575	1,653
Capital Outlay			
Other			
Total Operating	13,490	1,575	1,653

Revenue Sources			
	2019	2020	2021
Borough wide	1,400,000	5,000,000	5,000,000
	-	-	-
Total	1,400,000	5,000,000	5,000,000

Number of Positions			
	2019	2020	2021
Full-Time			
Part-Time			
Temporary	1		

Estimated Supplemental Funding: 13,490

ASSOCIATED REGULATIONS

Will the legislation result in procedural or regulation changes within a department?

Y N (circle one)

If yes, by what date are the regulations to be adopted, amended or repealed?

Supplemental appropriation will be needed to change the sales tax form, make changes to the sales tax software, train staff and taxpayers and other implementation cost

Prepared By:

Brandi Harbaugh, Finance Director

Finance sign off:
