

# Kenai Peninsula Borough Assembly

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## MEMORANDUM

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

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

**DATE:** May 3, 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)

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To address the immediate fiscal gap, I would like to propose that the assembly increase the property tax mill rate by 0.6 mills during the June 5, 2018, meeting and amend ordinance 2018-12 to provide that the authorized increase in the sales tax rate would expire December 31<sup>st</sup> of any future year that the mill rate is set at higher than 4.5 mills.

This is intended to provide ensured access to additional funds via the mill rate in FY 2019 and give a form of assurance to the voters that the sales tax increase is expected to be temporary. It encourages the assembly to reduce the mill rate back to 4.5 mills if the voters approve the sales tax increase. As we will not know the 2019 mill rate until after the June 5<sup>th</sup> meeting, I also request that this be postponed until the June 5<sup>th</sup> meeting for final action after the resolution setting the mill rate has been approved.

Following are my proposed amendments to ordinance 2018-12: (Please note the bold underlined language is new and the bold strikeout language in brackets is to be deleted.)

- Add the following whereas clauses at the end of the existing whereas clauses:

**WHEREAS**, the assembly has increased the mill rate to \_\_\_\_ which is estimated to raise approximately \$\_\_\_\_\_ in additional revenues for fiscal year 2019; and

**WHEREAS**, to avoid imposing too many taxes, the borough's best interests would be served by reverting the sales tax rate to 3.0 percent effective January 1 of the year after fiscal year 2019 for which the assembly sets the mill levy on property taxes at more than 4.5 mills;

- Amend Section 1, as follows:

**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. **The maximum rate of 3.5 percent shall be reduced to 3.0 percent effective January 1 of the year for which the assembly sets the rate of levy on property taxes at more than 4.5 mills for a fiscal year after fiscal year 2019.**
- 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.

- 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 2018-12, providing for an increase of 0.5 percent to the maximum borough sales tax rate, **which would revert to 3.0 percent effective January 1 of any year after 2019 for which the assembly sets the property tax mill rate at greater than 4.5 mills** be ratified?

Yes \_\_\_\_ A "yes" vote means you approve of increasing **the** borough's maximum sales tax rate from 3.0 percent to 3.5 percent. **This sales tax rate would revert to 3.0 percent effective January 1 of any year after 2019 in which the assembly sets the property tax mill rate at greater than 4.5 mills.**

No \_\_\_\_ A "no" vote means you oppose increasing borough's maximum sales tax rate from 3.0 percent to 3.5 percent. **This sales tax rate would revert to 3.0 percent effective January 1 of any year after 2019 in which the assembly sets the property tax mill rate at greater than 4.5 mills.**

# Fiscal Note

Kenai Peninsula Borough  
Fiscal Year 2019

Ordinance/Resolution: Ord 2018-12  
Fiscal Note Number:  
Publish Date:

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

Department: Assembly

Sponsor: Assemblymember 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	Year2	Year 3
	2019	2020	2021
<b>Operating Expenditures</b>			
Personnel	3,240	-	-
Supplies	250		
Services	10,000	1,575	1,653
Capital Outlay			
Other			
<b>Total Operating</b>	<b>13,490</b>	<b>1,575</b>	<b>1,653</b>

Revenue Sources			
	Current Year	Year2	Year 3
	2019	2020	2021
Borough wide	2,200,000	5,000,000	5,000,000
	-	-	-
<b>Total</b>	<b>2,200,000</b>	<b>5,000,000</b>	<b>5,000,000</b>

Number of Positions			
	Current Year	Year2	Year 3
	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



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Other			
<b>Total Operating</b>	<b>13,490</b>	<b>1,575</b>	<b>1,653</b>

Revenue Sources			
	2019	2020	2021
Borough wide	1,400,000	5,000,000	5,000,000
	-	-	-
<b>Total</b>	<b>1,400,000</b>	<b>5,000,000</b>	<b>5,000,000</b>

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Prepared By: Brandi Harbaugh, Finance Director

*Brandi Harbaugh* 5/4/18