

KENAI PENINSULA BOROUGH

Kenai Peninsula Borough Assembly

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Kelly Cooper, Assembly President
Wayne Ogle, Vice President

MEMORANDUM

TO: Kelly Cooper, Assembly President
Kenai Peninsula Borough Assembly Members

FROM: Dale Bagley, Assembly Member *DLB*

DATE: October 17, 2017

RE: Ordinance 2017- 29, Amending KPB Chapter 5.18 to Establish a 6 Percent Areawide Sales Tax on Temporary Lodging and Overnight Camping Facilities and Providing for an Exemption of Up to 3 Percent of the Levy on Temporary Lodging and Overnight Camping within the Boundaries of Cities in the Borough that Levy a Similar Sales Tax in Addition to an Existing General Sales Tax, Subject to Approval by the Voters in the Regular Election on October 2, 2018 (Bagley)

The borough is currently facing a budgetary shortfall of approximately \$4,000,000. Ordinance 2017-17, which would have asked the voters to approve a bed tax, was defeated by the assembly on August 15, 2017 when the assembly decided to instead submit to the voters the option of increasing the sales tax cap to \$1,000. As the voters defeated that proposal in October, the borough remains in a position of needing to take steps to fill that shortfall. I propose that we pass the temporary lodging tax ordinance and submit it to the voters for consideration in the next regular election. If approved it would be effective April 1, 2019 to allow time to properly implement it.

As previously described by Mayor Navarre, currently 43 Alaska cities and boroughs have a "bed tax" in addition to other sales tax. The tax rates range from a low of 4 percent to a high of 12 percent. If this is approved it would impose a maximum bed tax of 9 percent in the borough, including the existing 3 percent sales tax, and in cities that charge up to 3 percent general sales tax there would be a maximum of 12 percent for temporary lodging including this tax and the existing sales taxes. Several hundred thousand visitors travel to the Kenai Peninsula each year and while they contribute to the area's economy, they also create a large demand on public services in the borough. These additional sales taxes would support education but would also make other revenues available for services funded by property taxes and reduce the impact on the fund balance. Your favorable consideration would be appreciated.