



Sponsored by: Vice Mayor Navarre

## CITY OF KENAI

### RESOLUTION NO. 2019-44

A RESOLUTION OF THE COUNCIL OF THE CITY OF KENAI, ALASKA, SUPPORTING KENAI PENINSULA BOROUGH ORDINANCE 2019-11, REPEALING KPB 5.18.430(F) WHICH REQUIRES VOTER APPROVAL TO INCREASE THE SALES TAX CAP.

WHEREAS, the Kenai Peninsula Borough is considering Ordinance 2019-11 at its meeting of July 2, 2019; and,

WHEREAS, the borough sales tax cap of \$500 has been in effect since 1964; and,

WHEREAS, applying the Alaska Department of Labor Consumer Price Index, which measures inflation in Anchorage, the value of \$500 in 1964 is equivalent to \$3,222 in 2018; and,

WHEREAS, in 2005, the voters approved an initiative which, among other things, imposed a requirement that any increase in the maximum sales tax (sales tax cap) may not take effect until ratified by the voters at a regular borough election; and,

WHEREAS, pursuant to Alaska Statute 29.45.670, any new borough sales and use tax or an increase in the borough general sales tax percentage approved by ordinance does not take effect until ratified by a majority of the voters at a borough election; and,

WHEREAS, the inability of the Assembly to increase the sales tax cap without voter approval limits its ability to generate needed additional revenues without increasing the property tax mill rate; and,

WHEREAS, increases in the property tax mill rate place the burden of additional taxes entirely on borough property owners, including residents of the City of Kenai, creating the potential for an inequitable tax structure; and,

WHEREAS, an equitable tax system requires tax obligations fall evenly on a population; and,

WHEREAS, restricting the authority of the Assembly to modify the sales tax cap further limits its ability to create an equitable tax system.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF KENAI, ALASKA:

**Section 1.** That the Council supports Kenai Peninsula Borough Ordinance 2019-11, Repealing KPB 5.18.430(F) Which Requires Voter Approval to Increase the Sales Tax Cap.

**Section 2.** That a copy of this Resolution be transmitted to Mayor Charlie Pierce and Kenai Peninsula Borough Assembly Members.

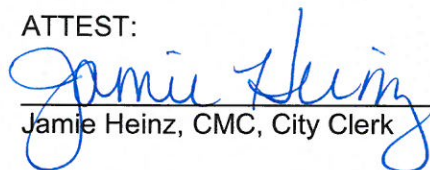
**Section 3.** That this resolution takes effect immediately upon passage.

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PASSED BY THE COUNCIL OF THE CITY OF KENAI, ALASKA, this 19th day of June, 2019.

  
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BRIAN GABRIEL SR., MAYOR

ATTEST:

  
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Jamie Heinz, CMC, City Clerk





*"Village with a Past, City with a Future"*

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## MEMORANDUM

**TO:** Mayor Brian Gabriel and Kenai City Council

**FROM:** Tim Navarre, Vice Mayor

**DATE:** June 13, 2019

**SUBJECT:** **Resolution No. 2019-44 – Supporting Kenai Peninsula Borough Ordinance 2019-11, Repealing the Requirement for Voter Approval to Increase the Sales Tax Cap**

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The purpose of this memo is to provide the additional information in support of Resolution No. 2019-11, supporting Kenai Peninsula Borough Ordinance 2019-11.

The borough sales tax cap of \$500 has been in effect since 1964, and applying the Alaska Department of Labor Consumer Price Index, which measures inflation in Anchorage, the value of \$500 in 1964 is equivalent to \$3,222 in 2018. The Borough estimates the City of Kenai would receive an additional \$621,000 annually if the sales tax cap was increased from \$500 to \$1,000 per transaction with no other code changes.

In 2005, the voters approved an initiative which, among other things, imposed a requirement that any increase in the maximum sales tax (sales tax cap) may not take effect until ratified by the voters at a regular borough election. Additionally, pursuant to Alaska Statute 29.45.670, any new borough sales and use tax or an increase in the borough general sales tax percentage approved by ordinance does not take effect until ratified by a majority of the voters at a borough election.

The inability of the Assembly to increase the sales tax cap without voter approval limits its ability to generate needed additional revenues without increasing the property tax mill rate. This places the burden of additional taxes entirely on borough property owners, including residents of the City of Kenai, and makes it difficult to create an equitable tax system where tax obligations fall evenly on the population.

Your consideration is appreciated.

