

POSSIBLE MOTION

I MOVE TO approve Ordinance 2011-36
on second and final reading.

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2011-36

BALLOT PROPOSITION OCTOBER 2011

AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA, ALASKA PROPOSING TO AMEND TITLE 4, REVENUE AND FINANCE, OF THE SITKA GENERAL CODE BY AMENDING SECTION 4.09.010, LEVY OF SALES TAX, TO SET THE SALES TAX ALL YEAR ROUND AT SIX PERCENT TO PAY FOR CERTAIN MUNICIPAL INFRASTRUCTURE, EQUIPMENT AND ITS MAINTENANCE, AND DELETING THE PROVISIONS THAT REQUIRE REVERTING TO A LOWER SALES TAX RATE AFTER CERTAIN SCHOOL OBLIGATIONS ARE PAID; DELETING THE SEASONAL SALES TAX EXEMPTION IN SITKA GENERAL CODE SECTION 4.09.120; AND SUBMITTING THESE SITKA GENERAL CODE AMENDMENTS AND QUESTION TO THE VOTERS AT THE NEXT GENERAL ELECTION

1. **CLASSIFICATION.** This ordinance is of a permanent nature and includes at Subsection 4.A and 4.B provision intended to amend the Sitka General Code ("SGC") if approved by the voters at the October 4, 2011 regular election.

2. **SEVERABILITY.** If any provision of this ordinance or any application to any person or circumstance is held invalid, the remainder of this ordinance and application to any person or circumstance shall not be affected.

3. **PURPOSE.** The City and Borough of Sitka has municipal infrastructure and/or equipment that need to be purchased, replaced, repaired, and/or maintained. Current revenues are limited to meet these needs. If ratified by the voters, this ordinance would amend SGC 4.09.010B to set the sales tax rate all year round at 6%. The current sales tax rate for April – September period is already 6%. This ordinance would increase the sales tax for the October - March period 1%, from 5% to 6%. This ordinance also deletes the provision in SGC 4.09.010B that would revert the sales tax rate for the April – September period back to 5% when certain school funding obligations are met. It also deletes the seasonal sales tax exemption in SGC 4.09.120 on monthly rentals of non-residential real property.

The sales tax rate increase would fund such municipal infrastructure, equipment, and its maintenance. The revenues gained from the property tax limit increase will be used to pay for purchase, replacement, repair and/or maintenance, such as for municipal owned buildings, structures, equipment, and roads, including Sitka Community Hospital's new roof and new mammogram machine. The increased revenues will not be used for infrastructure, equipment and its maintenance for schools and enterprise funds (e.g. electric; harbors; water; wastewater; solid waste; Sawmill Cove Industrial Park; airport terminal; Marine Service Center). The schools and the enterprise funds already have sources of revenues or options to obtain such revenues regarding their infrastructure, equipment and its maintenance.

48 4. **ENACTMENT.** NOW, THEREFORE, BE IT ENACTED by the Assembly of
49 the City and Borough of Sitka that:

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51 A. Section 4.09.010, Levy of sales tax, of the Sitka General Code is hereby amended
52 to read as follows (new language underlined; deleted language stricken):

53
54 **4.09.010 Levy of sales tax.**

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56 A. There is levied a consumer's sales tax on sales, rents, and leases
57 made in the City and Borough of Sitka. This tax applies to sales, rentals,
58 and leases of tangible personal property; sales of services sold within the
59 City and Borough of Sitka; sales of services performed wholly or partially
60 within the City and Borough of Sitka when the provision of such services
61 originates or terminates within the City and Borough of Sitka; and rentals
62 and leases of real property located within the City and Borough of Sitka.
63 Notwithstanding any provision of law, air or sea charter services, provided
64 a person or entity in the business of providing such charter services, are
65 exempt from sales tax by the City and Borough of Sitka if the charter does
66 not commence and end within the City and Borough of Sitka.

67
68 B. The rate of levy of the sales tax levied under subsection A of this
69 section is six percent ~~five percent~~ on sales all year round. ~~made during the~~
70 ~~months of October, November, December, January, February, and March.~~
71 ~~Effective April 1, 2004, the rate of levy of the sales tax levied under~~
72 ~~subsection A of this section is six percent on sales made during the months~~
73 ~~of April, May, June, July, August, and September. The rate of levy of the~~
74 ~~sales tax shall become five percent from April through September all year~~
75 ~~round three days after the administrator certifies in writing to the assembly~~
76 ~~that either (a) any and all bonds issued pursuant to the ratification by the~~
77 ~~voters on March 18, 2003, of propositions set out in Ordinances Nos. 02-~~
78 ~~1707 and 02-1712 are entirely paid off or (b) the seasonal sales tax~~
79 ~~increase of one percentage point on sales made during the months of~~
80 ~~April, May, June, July, August, and September described in the previous~~
81 ~~sentence has generated (or based on historical projections will generate~~
82 ~~in the next succeeding quarter) sufficient revenues to pay off any and all~~
83 ~~bonds issued pursuant to the ratification by the voters on March 18, 2003,~~
84 ~~of propositions set out in Ordinances Nos. 02-1707 and 02-1712, whether~~
85 ~~or not such bonds have been paid off.~~

86
87 ***

88
89 B. Section 4.09.120, Exemption from seasonal sales tax increase, of the Sitka
90 General Code is hereby stricken and reserved for future use.

4.09.120 Exemption from seasonal sales tax increase. Reserved

~~The following retail sales are exempt from any increase in the sales tax imposed on a seasonal basis, including the one percentage point increase for the months of April, May, June, July, August, and September set out in Section 4.09.010(B):~~

~~A. — Rentals of Real Property. Rent paid as consideration for the use of real property either for thirty or more consecutive days or an entire calendar month by a person or persons of a room, set of rooms, structure, or suite is exempt from the additional one percent increase for the months of April, May, June, July, August and September. This exemption does not apply to any transaction taxable under the hotel, motel, and bed and breakfast transient room tax set out in Chapter 4.24.~~

C. The following ballot proposition shall be placed on the ballot at the general election on October 4, 2011:

Ballot Proposition No. __

Shall the Sitka General Code be amended to set the sales tax rate all year round at 6%, increasing the sales tax for the October - March period from 5% to 6%, deleting the seasonal sales tax exemption, and deleting the provision to revert the sales tax rate for the April – September period back to 5% when certain school funding obligations are met, in order to fund certain municipal infrastructure and its maintenance?

Yes

☐

No

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Informational: The revenues gained from the sales tax rate increase will be used to pay for municipal infrastructure, equipment and its maintenance, such as for municipal owned buildings, structures, equipment, and roads, including Sitka Community Hospital's new roof and new mammogram machine. The increased revenues will not be used for infrastructure, equipment and its maintenance for schools and enterprise funds (e.g. electric; harbors; water; wastewater; solid waste; Sawmill Cove Industrial Park; airport terminal; Marine Service Center), which have their own sources or better options for funding.

5. **EFFECTIVE DATE.** This ordinance shall become effective on the day after the date of its passage. The amendments to the Sitka General Code set out in Subsections 4.A-4.B shall only become effective if a majority of the voters voting on this ordinance at the election on October 4, 2011 approve this ordinance. If a majority of voters approve then those amendments

set out in Subsections 4.A-4.B, the Sitka General Code changes shall become effective on November 1, 2011.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska this ____ day of August, 2011.

Cheryl Westover, Mayor

ATTEST:

Colleen Ingman, MMC
Municipal Clerk