

City and Borough of Sitka

PROVIDING FOR TODAY...PREPARING FOR TOMORROW

A Coast Guard City

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

From: Assembly Members Knox and Himschoot

Date: June 16, 2021

Subject: Approve Ordinance 2021-14 Fuel Excise Tax

Background

As a frontier state Alaskan communities built much of their infrastructure with state and federal assistance: Sitka's five harbors were built with state and federal assistance before the turn of the 21st century; Sawmill Creek and Halibut Point Roads were both built and are still maintained by the state; many of Sitka's paved streets were paved or funded by the State of Alaska. However, in the past decade state grant funding has declined, and state revenue sharing has nearly stopped entirely. The increasing burden on the City of Sitka to maintain public infrastructure requires additional funds.

Recognizing this, the Port and Harbors Commission proposed a bulk fuel excise tax on marine fuels, voting unanimously to support the idea being brought before the Assembly. This proposal, to include an excise tax on marine and motor fuels, expands on the idea to support critical infrastructure needs as an additional revenue stream.

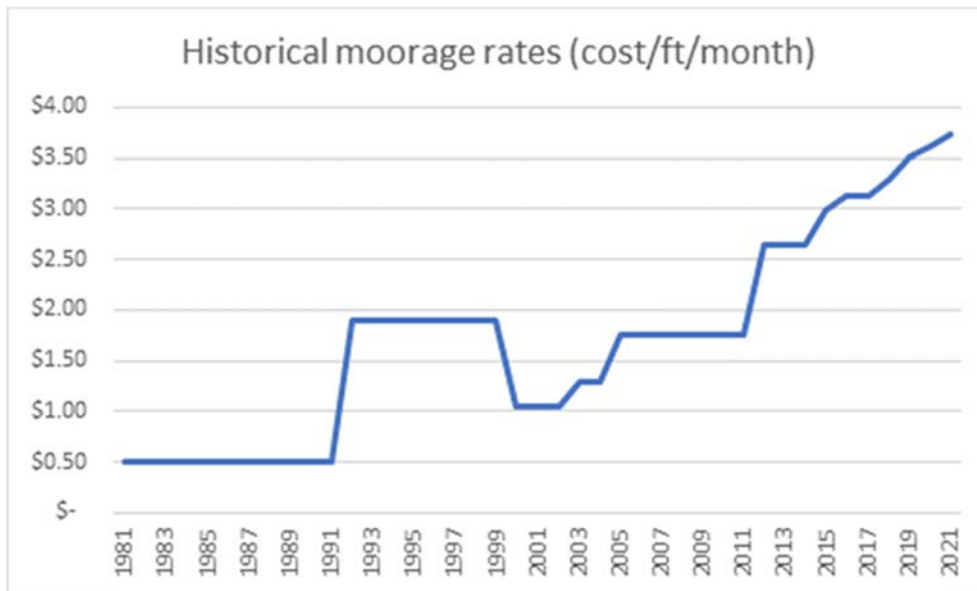
Analysis

Sitka's harbors support over 600 small businesses, and the fleet is critical to the community's economy. Providing safe and sufficient harbors to the commercial and recreational users of Sitka's working waterfront is an important city function. Over 70% of harbors and marinas in the Lower 48 are privately owned, and users pay exponentially higher fees than in Sitka. Sitka's harbor rates were flat through the 1980s, then after an increase in 1990 the rates remained essentially flat another two decades. This has resulted in sharp increases in harbor rates over the past 10 years to keep up with maintenance and replacement of this critical infrastructure. By expanding the necessary capital savings to a revenue stream beyond just the year round harbor user it is expected to help flatten harbor fee increases, though not entirely replace the need for increases.

Roads are used by all Sitkans, but the paving rotation is now a full decade behind schedule. Quality roads reduce wear and tear on vehicles, and resurfacing streets

allows Public Works to also upgrade to Americans with Disabilities Act standards. Many commercial operators and residential drivers have noted the increased damage to our roads and those deferred maintenance schedules, noting dramatic wear on their vehicles. It is past time to improve the surfaces of many of Sitka's streets.

A bulk fuel excise tax is a relatively simple way to share the burden of maintenance for public infrastructure across user groups.



Fiscal Note

While administration of this tax will require some city staff time, revenues collected will be dedicated to maintaining and improving harbors and streets.

Approximate revenue models have been generated through educated guessing of possible sales within the City and Borough of Sitka, however it remains very unclear as to the accuracy of any of those models. Fuel providers are not required by the City of Sitka to report the distribution of their sales between each marine and motor fuels.

Recommendation

Approve Ordinance 2021-14 submitting the question to the qualified voters at the regular election on October 5, 2021.