

Code Ordinance

By: Mayor Rupright
Postponed indefinitely: July 9, 2012
Note: Not introduced

Vote: Harris, Sullivan-Leonard, Wall and Woodruff in favor to postpone indefinitely.
Katkus in opposition to postpone indefinitely.

**CITY OF WASILLA
ORDINANCE SERIAL NO. 12-23**

AN ORDINANCE OF THE WASILLA CITY COUNCIL AMENDING WASILLA MUNICIPAL CODE 5.16.030, 5.16.100 AND 5.16.210 TO INCREASE THE RATE OF THE CITY SALES TAX BY ONE PERCENT (1%) TO THREE PERCENT (3%) BEGINNING ON JANUARY 1, 2013; AMENDING WASILLA MUNICIPAL CODE 5.16.210 TO ALLOCATE ONE HALF (0.5%) OF THE SALES TAX INCREASE TO A SPECIAL ACCOUNT TO FINANCE MAJOR CAPITAL IMPROVEMENTS; AND SUBMITTING THE QUESTION OF SUCH SALES TAX RATE INCREASE TO THE QUALIFIED VOTERS OF THE CITY AT THE OCTOBER 2, 2012, REGULAR CITY ELECTION.

WHEREAS, the City Council of the City of Wasilla (the "City") finds that the City requires certain major capital improvements, the first among which is a new library facility; and

WHEREAS, it is in the best interest of the City and its residents to fund major capital improvements by accumulating additional revenue in a special account established for that purpose, rather than by incurring additional debt; and

WHEREAS, the current 2% rate of City sales tax is insufficient to fund the City's major capital improvement requirements; and

WHEREAS, the City Council finds that an increase in the rate of sales tax is a more equitable method of raising additional revenue than an increase in property tax, because a sales tax increase will be borne by all resident and non-resident users of City capital facilities; and

WHEREAS, the City Council deems it necessary to increase the rate of the City sales tax by one percent (1%), and to deposit one half of the resulting additional revenue (0.5%) in a special account restricted to funding, first, a new library facility, and thereafter other major capital improvements costing in excess of \$100,000, and to apply the other half of the resulting additional revenue (0.5%) to increased general fund operating costs, including the increased operating costs associated with the new library facility and other major capital improvements; and

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WHEREAS, under the provisions of AS 29.45.700(b) and AS 29.45.670, the City may increase the rate of its sales tax only after an ordinance authorizing the rate increase is approved by a majority of those voting on the question at a regular or special election.

NOW THEREFORE, BE IT ORDAINED AND ENACTED by the City of Wasilla:

* **Section 1. Classification.** Sections 2 through 4 of this ordinance are of a general and permanent nature and shall become part of the city code.

* **Section 2. Amendment of section.** WMC 5.16.030, Sales Tax – Levy of tax, is amended to read as follows:

5.16.030 Levy of tax.

A. Subject to the remainder of this chapter, a tax of **three** ~~two~~-percent of the price is levied on all sales, rentals and services made in the city.

* **Section 3. Amendment of section.** WMC 5.16.100.B.2, Sales Tax – Collection of sales tax – Addition and separate statement; Exceptions, is amended to read as follows:

2. The amount of sales tax to be added to the price of a sale, rental or service shall be determined in accordance with the following schedule:

Price of sale, Rental or service	Tax
Under \$0.15 0.25	None
<u>\$0.16 through \$0.49</u> \$0.25 through \$0.74	\$.01
<u>\$0.50 through \$0.83</u> \$0.75 through \$1.24	\$.02
<u>\$0.84 through \$1.16</u> \$1.25 through \$1.74	\$.03
<u>\$1.17 through \$1.49</u> \$1.75 through \$2.24	\$.04
<u>\$1.50 through \$1.83</u> \$2.25 through \$2.74	\$.05
<u>\$1.84 through \$2.16</u> \$2.75 through \$3.24	\$.06
<u>\$2.17 through \$2.49</u> \$3.25 through \$3.74	\$.07
<u>\$2.50 through \$2.83</u> \$3.75 through \$4.24	\$.08

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<u>\$2.84 through \$3.16</u> \$4.25 through \$4.74	\$.09
<u>\$3.17 through \$3.49</u> \$4.75 through \$5.24	\$.10
Over <u>\$3.50</u> \$5.25, continue on same scale up to five hundred dollars (\$500.00).	

* **Section 4. Amendment of section.** WMC 5.16.210, Property tax limit - Use of sales tax, is amended to read as follows:

5.16.210 Property tax limit - Use of sales tax.

- A. Property Tax Limitation. The **three** ~~two~~ percent city sales tax levy is conditioned on the city property tax levy being limited to a maximum of two mills.
- B. **Allocation of sales tax proceeds. Sales tax collected under WMC 5.16.030 shall be allocated as follows:** ~~Use of Sales Tax for Police. The two percent city sales tax levy is on the condition that sales tax first be appropriated to fund a police department and the remaining tax be appropriated through the ordinary public budget process.~~
1. **One sixth of the sales tax collected under WMC 5.16.030 shall be allocated to a special account to be appropriated and utilized solely first, for a new library facility, and thereafter for other major capital improvement projects costing in excess of \$100,000.**
 2. **Five sixths of the sales tax collected under WMC 5.16.030 shall be allocated to the general fund to be appropriated as determined by the council.**

* **Section 5. Ballot proposition** The following proposition shall be submitted to the qualified voters of the City at the regular election to be held on October 2, 2012. The proposition must receive an affirmative vote from a majority of the qualified voters voting on the question to be approved.

PROPOSITION NO. ____
 1% SALES TAX RATE INCREASE TO 3%, WITH ONE-HALF (.5%) OF THE
 SALES TAX INCREASE TO BE ALLOCATED TO A SPECIAL ACCOUNT
 RESTRICTED TO FUNDING MAJOR CAPITAL IMPROVEMENT PROJECTS

Shall the rate of the City sales tax be increased by one percent (1%) to three percent (3%) beginning on January 1, 2013, with one-half (0.5%) of the sales tax

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increase allocated to a special account restricted to funding first, a new library facility, and, then, other major capital improvements costing in excess of \$100,000? (Ordinance Serial No. 12-22).

* **Section 6. Form of ballot.** The proposition shall be printed on the regular election ballot. The following words shall be added as appropriate and next to an oval provided for marking the ballot for voting:

PROPOSITION NO. _____ Yes ()
No ()

* **Section 7. Effective date.** Sections 1 through 4 of this ordinance shall become effective on January 1, 2013, but only if the proposition described in Section 5 is approved by a majority of the qualified voters voting on the proposition at the regular City election on October 2, 2012. The remaining sections of this ordinance shall become effective upon passage and approval.

POSTPONED INDEFINITELY by the Wasilla City Council on July 9, 2012.

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Ordinance Serial No. 12-23: AN ORDINANCE OF THE WASILLA CITY COUNCIL AMENDING WASILLA MUNICIPAL CODE 5.16.030, 5.16.100 AND 5.16.210 TO INCREASE THE RATE OF THE CITY SALES TAX BY ONE PERCENT (1%) TO THREE PERCENT (3%) BEGINNING ON JANUARY 1, 2013; AMENDING WASILLA MUNICIPAL CODE 5.16.210 TO ALLOCATE ONE HALF (0.5%) OF THE SALES TAX INCREASE TO A SPECIAL ACCOUNT TO FINANCE MAJOR CAPITAL IMPROVEMENTS; AND SUBMITTING THE QUESTION OF SUCH SALES TAX RATE INCREASE TO THE QUALIFIED VOTERS OF THE CITY AT THE OCTOBER 2, 2012, REGULAR CITY ELECTION.

Agenda of: June 25, 2012

Date: June 19, 2012

Originator: Troy Tankersley, Finance Director

Route to:	Department	Signature	Date
X	Finance Director		6-19-12
X	Interim Deputy Administrator		6/19/12
X	City Clerk		6/19/12

REVIEWED BY MAYOR VERNE E. RUPRIGHT:

FISCAL IMPACT: yes or no

Funds Available Yes or No

Account name/number: To be determined upon voter approval.

Attachments: None

SUMMARY STATEMENT: By increasing the sales tax rate from the current 2% to 3% will generate approximately \$6,000,000 in additional revenue to the City of Wasilla.

Restricting one-half of one percent or .5% (\$3,000,000) for the sole purpose of funding major capital improvement projects in excess of \$100,000 allows the City to pay cash for those major projects that would in some cases require the City to issue debt. That debt would require a guaranteed revenue source by which the taxpayers of Wasilla would be required to pay through an increased sales tax rate or some other source. This restriction further allows the City Council through the ordinary public budget process to determine major projects that as a body feels are important enough to move forward starting with a new library. It is estimated that the City could restrict enough cash to begin construction of a new library as early as FY2014.

The City of Wasilla has maintained a 2% sales tax rate since inception of WMC 5.16 Sales Tax (1992 advisory vote; Resolution 92-39(am) and Ordinance 92-29). Since this time the City has had increased demands to provide services to its taxpayers solely from the use of sales tax dollars. Beginning in 2009, the Nation began a recession that has effected the City of Wasilla's operations to the extent that the City is required to fund increased operational cost by pulling from fund balance. Although the City has not increased its workforce, city wide operational costs are continuing to grow and the City wishes to maintain the level of service to its taxpayers to include additional costs associated to a new library and other facilities. The one-half of one percent or .5% (\$3,000,000) would allow the City to maintain these increases considerable number of years, contingent upon additional services required by the City and would be appropriated through the ordinary public budget process.

STAFF RECOMMENDATION: Introduce and set for public hearing Ordinance Serial No. 12-23.