

**City of Wasilla
Ordinance Serial No. 13-04**

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 October 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 authorizing the City Clerk to submit the question of such sales tax rate increase to the qualified voters of the City at the May 14, 2013, special 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, including interest and associated costs; 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 rather than imposing the 2 mil property tax cap levy, 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

* **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~~ **three** percent of the price is levied on all sales, rentals and services made in the city.

Bold and underline, added. ~~Strikethrough, deleted~~

* **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	\$0.01
<u>\$0.50 through \$0.83</u> \$0.75 through \$1.24	\$0.02
<u>\$0.84 through \$1.16</u> \$1.25 through \$1.74	\$0.03
<u>\$1.17 through \$1.49</u> \$1.75 through \$2.24	\$0.04
<u>\$1.50 through \$1.83</u> \$2.25 through \$2.74	\$0.05
<u>\$1.84 through \$2.16</u> \$2.75 through \$3.24	\$0.06
<u>\$2.17 through \$2.49</u> \$3.25 through \$3.74	\$0.07
<u>\$2.50 through \$2.83</u> \$3.75 through \$4.24	\$0.08
<u>\$2.84 through \$3.16</u> \$4.25 through \$4.74	\$0.09
<u>\$3.17 through \$3.49</u> \$4.75 through \$5.24	\$0.10
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~~

Bold and underline, added. ~~Strikethrough, deleted~~

CITY COUNCIL LEGISLATION STAFF REPORT

Ordinance Serial No. 13-04: 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 October 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 authorizing the City Clerk to submit the question of such sales tax rate increase to the qualified voters of the City at the May 14, 2013, special election.

Originator: Finance Director
Date: January 17, 2013

Agenda of: January 28, 2013

Route to:	Department Head	Signature	Date
X	Finance Director		1-2-13
X	Deputy Administrator		1-22-13
X	City Clerk		1/22/13

Reviewed by Mayor Verne E. Rupright: 

Fiscal Impact: yes

Funds Available: yes

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

Attachments: None

Summary Statement: Increasing the sales tax rate from the current 2% to 3% will generate approximately \$6,000,000 annually in additional revenue to the City of Wasilla.

Restricting one-half of one percent or 0.5% (\$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. As pointed out in the Foraker Project Development Plan, a new \$16.3 million library will require \$6 million in local funding from the City. Initially, the restricted capital improvement funding would be put towards the new library. Once the new library is built, future capital project would be prioritized by the City Council as part of the annual budget process.

It is important to note; the City currently maintains over \$24 million in infrastructure type assets (i.e., roads, sidewalks, street lights, etc.) and over \$8 million in buildings only within its governmental activities. These amounts do not include land, parks or machinery and equipment, airport, water and sewage utilities.

With an increasing cost of operations, increased pressure is inevitably placed on the General Funds Fund Balance to support future capital projects necessary to support the over \$41 million in assets being depreciated.

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. Growth in sales tax revenue has averaged 1.5%-2% whereas inflation has been growing at approximately 3%.

Although the City has not increased its workforce, city wide operational costs are continuing to grow and the City wishes to maintain the current 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 0.5% (\$3,000,000) will allow the City to maintain these increases for a considerable number of years, contingent upon additional services required by the City that would be appropriated through the ordinary public budget process.

Recommended Action: Adopt Ordinance Serial No. 13-04.