



Alice Ruby, **Mayor**

Council Members

- Chris Napoli (Seat A) • Chris Maines (Seat B) • Aksel Buholm (Seat C)
- Curt Armstrong (Seat D) • Andy Anderson (Seat E) • Gregg Marxmiller (Seat F)

DILLINGHAM CITY COUNCIL

David B. Carlson Council Chambers

Dillingham City Hall, 141 Main Street, Dillingham, AK 99576 (907) 842-5212

WORKSHOP – Dedicate Tax Funds	6:30 P.M.	AUGUST 1, 2019
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1. WORKSHOP¹

- State of Alaska: Municipal Authority, Taxes, Debt Overview
- Diagram of Municipal Taxes
- Powers and Duties of Cities Chart
- Attorney Memo regarding Tax Dedication

2. ADJOURNMENT

Note:

¹Workshops are informal discussions, sessions held for purposes of exchanging and gathering information. No action may be taken, formal rules of order are relaxed, and minutes are not kept.

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AUTHORITY

- First Class City, Unorganized Borough
- Powers and Duties (see handout)
- Manager Plan (executive and administrative duties vested in manager, not mayor)
- General Law, not Home Rule
- ➔ • **NOT ALL MUNICIPALITIES IN THE STATE OF ALASKA ARE THE SAME!**
- Article X - "Local Government"
- ➔ • **MUNICIPALITIES IN ALASKA ARE FUNDAMENTALLY STRUCTURED DIFFERENTLY THAN THE LOWER 48!**

TABLE 1: CHRONOLOGY OF INCORPORATION & BOUNDARY CHANGES

Boundary Change	Approximate Year	Municipal Class Sought	Details
Incorporation	1963	Second Class City	Two cities formed with Dillingham's boundaries completely surrounded Wood River's. Court case ultimately decided this.
Reclassification	1972	First Class City	Dillingham - second and third class cities reclassified to first class with populations over 400 via state statute. Historical Note: Dillingham incorporated after statehood in 1963 as a second class city. The 1972 statute eliminated third and fourth class cities. All fourth class cities became second class cities. Second and third class cities that had more than 400 permanent residents were reclassified as first class cities. There were exceptions to these rules in a handful of communities I know of that did not meet the population threshold, but wanted to become a first class city—usually the reasoning was to maintain control of their city school district.
Annexation	1986		Petition sought annexation of 918.25 square miles; LBC approved 40 square miles; did not take effect.
Annexation	1987		Petition asked for 421.25 square miles (12.25 of land, 409 of water, comprising all of Nushagak Bay) with 60 residents; LBC found only the land plus territory 1,000 feet seaward appropriate for annexation; LBC deemed Nushagak Bay a regional resource and that annexation by a city would discourage borough formation.
Annexation	1997		Submitted, but never accepted for filing, was withdrawn formally in 2000.
Annexation	2010		Petition approved with condition; reconsidered; appealed, overturned and remanded. See 2015-2016 Dillingham annexation petition for more details.
Annexation	2015		LBC granted amended, reduced boundaries because competing petition from Manokotak granted in full; under reconsideration Dillingham's annexation was entirely rejected and Manokotak's annexation reduced and approved; Manokotak took effect; both decisions are under appeal.

Source: Local Boundary Commission

MUNICIPAL TAXES

- Consumption Taxes (see handout)
- Severance Taxes (see handout)
- Property Taxes (see handout)
- No limitations in Code (must follow AS 29)



- **ALASKA'S CONSTITUTION HAS STRONG PROHIBITIONS ON DEDICATING TAXES. COUNCILS CAN TRY TO "DESIGNATE" A PATH FOR REVENUE TO GO, BUT FUTURE COUNCILS ARE FREE TO IGNORE THOSE REQUESTS.**

TABLE 2: TAXATION LIMITATIONS FOR FIRST CLASS CITIES, GENERAL LAW

Property Tax	<p>The city may tax up to 30 mills except where a higher levy is necessary to avoid default on debt.</p> <p>Voter approval is <u>not required</u> by statute; however, some general law municipal governments have more restrict limitations imposed at the local level. AS 29.45.550-590</p> <p>Alaska Statutes provides that limitations on the amount of property tax that may be collected applies only to taxes for operating expenses and not to taxes collected to pay for bonded indebtedness. 29.45.100</p> <p>There are no limitations set for the City of Dillingham, per code of ordinances.</p>
Sales Tax	<p>There is no limit on the rate of levy of sales taxes; however, voter approval is required. AS 29.45.700</p> <p>Some nuances with alcohol, tobacco and marijuana AS 04.21.010.</p>

Per State Assessor, sales taxes are not reliable these days, mostly due to online transactions.



Alaska Municipal League Working Group on Sales Tax (*Wayfair*)

TABLE 3: MUNICIPAL TAXES IN BRISTOL BAY

Municipality	Property Tax	Sales Tax	Other Tax (1)	Total Tax	Population	Tax Per Capita
City of Egegik	\$0	\$0	\$1,230,569	\$1,230,569	85	\$14,477
City of Pilot Point	\$0	\$624,583	\$0	\$624,583	74	\$8,684
Bristol Bay Borough	\$4,918,466	\$0	\$2,220,749	\$7,139,215	874	\$8,168
City of Dillingham	\$2,256,826	\$2,528,395	\$446,394	\$5,231,615	2,316	\$2,259
City of Aleknagik	\$0	\$105,931	\$139,209	\$245,140	217	\$1,130
Lake & Pen Borough	\$0	\$9	\$1,778,179	\$1,778,179	1,629	\$1,092
City of Chignik	\$0	\$0	\$55,453	\$55,453	96	\$578
City of Manokotak	\$0	\$137,647	\$0	\$137,647	496	\$278
City of Togiak	\$0	\$121,579	\$32,598	\$154,177	893	\$173
Statewide (including North Slope Borough)						\$2,421
Statewide (excluding North Slope Borough)						\$1,908

(1) Bed, alcohol, car rental, raw fish, tobacco ...

Source: Alaska Taxable 2017

Dillingham Rank
Statewide:
17th or 16th (tax per capita)

TABLE 4: REAL AND PERSONAL PROPERTY TAXES IN BRISTOL BAY

Municipality	Locally Assessed Real Property	Locally Assessed Personal Property	Total Assessed	Reported A/V Ratio (1)	Reported COD Ratio (2)
Bristol Bay Borough	\$195,240,574	\$185,216,693	\$380,457,267	89.62	19.54
City of Dillingham	\$148,458,455	\$47,341,743	\$195,800,198	91.53	13.84

(1)The A/V Ratio represents the ratio expressed by dividing the municipal assessed value by the market price (V), and is representative of the weighted mean ratio of real property only. This ratio does NOT apply to personal property or state assessed oil and gas property values

(2)The COD (Coefficient of Dispersion) represents the average dispersion (difference) from the indicated ratios, and are not applicable to personal property or oil and gas property values.

Source: Alaska Taxable 2017

TABLE 5: LOCAL ASSESSMENT VS FULL VALUE REAL PROPERTY TAXES IN BRISTOL BAY

Municipality	Real Property Locally Assessed	Real Property Full Value	Ratio
Bristol Bay Borough	\$195,240,574	\$221,424,400	88.17%
City of Dillingham	\$148,458,455	162,196,500	91.53%

Source: Alaska Taxable 2017

Mill Rates in Bristol Bay:

Bristol Bay Borough: 13
City of Dillingham: 13

TABLE 6: LOCAL ASSESSMENT VS FULL VALUE REAL AND PERSONAL PROPERTY TAXES IN BRISTOL BAY

Municipality	Personal & Real Property Locally Assessed	Personal & Real Property Full Value	Ratio
Bristol Bay Borough	\$380,457,267	\$425,550,600	89.40%
City of Dillingham	\$195,800,198	\$247,796,600	79.02%

Source: Alaska Taxable 2017

Mill Rates in Alaska:

Valdez: 20 (highest)
Sitka: 6 (lowest)
Anchorage: 15
Fairbanks: 17

TABLE 7: FULL VALUE DETERMINATION IN BRISTOL BAY

Municipality	Local Taxable Full Value	Total Full Value	Population	Per Capital Full Value
Bristol Bay Borough	\$425,550,600	\$425,550,600	874	\$486,900
City of Dillingham	\$247,796,600	\$247,796,600	2316	\$106,993
Statewide				\$158,496

Source: Alaska Taxable 2017

MUNICIPAL DEBT

- General Obligation (GO) Bonds
- Revenue Bonds
- Refunding Bonds
- Alaska Municipal Bond Bank Authority



- **NO STATE SUPPORTED MUNICIPAL DEBT PROGRAMS (ELIGIBLE FOR STATE REIMBURSEMENT)**

GENERAL OBLIGATION BONDS

Municipalities can issue bonds for capital improvements

Vote for approval

Process in Title 29 (notice requirements, timelines, cost of debt, etc.)

Bond is paid by ALL taxpayers via sales or property taxes levied (no dedication)

REVENUE BONDS

Municipalities can issue bonds for public enterprise or corporation

No vote for approval (unless otherwise provided by ordinance)

Bond is paid by REVENUE of public enterprise (not a general obligation of the municipality)

REFUNDING BONDS

Municipalities can issue refunding bonds

No vote for approval



City of Dillingham Ordinance 2016-51 (projected savings of \$1m)

ALASKA MUNICIPAL BOND BANK AUTHORITY

A public corporation established to aid authorized Alaskan borrowers in financing capital improvement projects such as schools, water and sewer systems, public buildings, harbors, and docks.

The Bond Bank has assisted 45 of Alaska's municipalities, two Regional Health Organization, and the University of Alaska obtain financing for capital projects. These borrowers are geographically distributed throughout Alaska and represent virtually all sectors of the State's economy.

TABLE 8: MUNICIPAL DEBT IN BRISTOL BAY: GO, POPULATION AND VALUATION

Municipality	Population	Full Value Determination (\$ thousands)	Per Capita Full Value (\$ thousands)	Municipal GO Debt (\$ thousands)	Per Capita GO Debt
Lake & Pen Borough	1,629	\$169,266	\$103,908	\$16,500	\$10,129
City of Dillingham	2,316	\$247,797	\$106,993	\$9,150	\$3,951
Statewide					\$3,377

Source: Alaska Public Debt 2017-2018

OTHER

- Service Area
- Differential Tax Zone
- Improvement Areas
- Property Assessed Clean Energy (PACE)
- Historical Districts

SERVICE AREA

AS 29.03.020, AS 29.35.450

Established by ordinance

Way to dedicate property tax for a special, exclusive purpose

Tax zone or district

Service Area Board

Associated with boroughs (typically used as a way to extend services like utilities, roads, police, fire, parks)

Limitations in Alaska's Constitution

No example of capital related service area in Rural Alaska ... REAA's



Caution, consult with municipal attorney

DIFFERENTIAL TAX ZONE

AS 29.45.580

Establish by ordinance

Property tax only

For services not provided generally in the city or a different level of service

No example in Rural Alaska



Caution, consult with municipal attorney

IMPROVEMENT AREAS

AS 29.47.460

A Blighted area or area that is capable of being substantially improved based on property value within the area

Debt via bond (GO or Revenue)

Acquisition, construction, rehabilitation or development for public improvements

No example in Rural Alaska



Caution, consult with municipal attorney

PROPERTY ASSESSED CLEAN ENERGY (PACE)

AS 29.55.100

Planning tool

Finance energy improvements

Debt via bond (GO)

No example in Rural Alaska



HISTORICAL DISTRICTS

AS 29.55.020

Planning tool

Territorial days

Native heritage

Alaska Historical Commission (DNR)

Alaska's Municipal Taxes

A brief diagram of...

Consumption Taxes (3 Types):

These are taxes that are meant to, ultimately, be paid by the consumer of a good, whether directly or indirectly. They are relative to the amount of goods consumed.



SALES TAXES

A "sales tax" is a type of consumption tax specifically on the (usually final) *sale* of a good or service. A sales tax is often said to be "paid by the end consumer" because it's not figured or collected until the good or service is actually sold.

In Alaska, sales to middlemen wholesalers and distributors are often exempted from a sales tax under local ordinance, so long as the sale to the end user is subject to the tax.

The imposition or increase in the rate of levy of a municipal sales tax must be approved by the voters at a local election.

Some municipalities have a unique sales tax specifically on the sale of raw fish, room rentals, and tobacco. They might choose to term these as a "fish tax", "bed tax", and "tobacco tax", respectively. Despite these names, they would still be considered sales taxes under state law, so long as they're a tax levied on the *sale* of that good or service, typically (but not necessarily) to, and paid directly by, the end consumer. See 'Excise Taxes' here in this chart for more info.



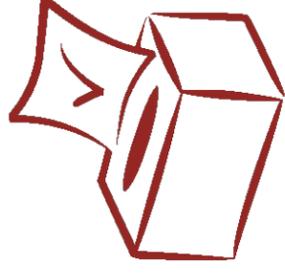
USE TAXES

A "use tax" is another type of consumption tax, but specifically on the *use* or *consumption* of a good or service, rather than its sale.

Like a sales tax, a use tax is said to be paid by the end consumer as it's not levied and due until the good/service is actually used/consumed, and therefore not included in the listed price.

Use taxes in Alaska are rare, and generally are only applied to the use/consumption of goods which were not already subject to a sales tax.

Voter approval required to adopt, and to increase rate of levy of, sales and use taxes



EXCISE TAXES

It's possible to levy a consumption tax that is neither a general sales or use tax, as some municipalities in Alaska do. These are sometimes called "excise taxes".

For example, there can be an excise tax on a commodity's importation, manufacture, or simple existence. The rate of levy could be based on quantity (such as a flat rate per unit) or even on market value. Such excise taxes are usually considered consumption taxes because they are intended to be ultimately borne by the consumer, even if they're "hidden" in the price of the good, and because they are relative to their level of consumption.

So long as this excise tax is not specifically on the *sale* or *use* of the good or service (i.e., levied as a percentage of the actual sales price and paid directly by the end user), state law does not require voter approval.

While some municipalities' "fish taxes", "bed taxes", and "tobacco taxes" are actually just sales taxes on those specific products, not all are. But, as long as the tax is not on the sale of the product itself, it's not a sales tax.

Severance Taxes

A "severance tax" is a tax on the *taking* or *removal* of a resource, whether or not it's consumed.

Some municipalities in Alaska levy severance taxes on the harvesting of fish within their boundaries, or on the mining of minerals.

Because severance taxes are not on the actual *sale* of any product or service, they're generally paid to the municipality by the producer (that is, the person taking and removing the resource).

State law does not require the adoption or increase in a severance tax to be ratified by voters at a local election.

Property Taxes

A "property tax" is a tax on the value of either real or personal property.

Voters must give their municipal government the authority to levy a property tax at an election; however, under state law, once the municipal government has that authority, it can raise or lower the property tax rate by simple resolution, without getting further voter approval.

The State of Alaska exempts the value of certain property by some individuals from municipal property taxes.

The state's laws regarding municipal taxation are detailed and complex; contact DCRA for more information.

This diagram was prepared by:

Division of Community and Regional Affairs
Department of Commerce, Community, and Economic Development
State of Alaska

February 24, 2016

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POWERS AND DUTIES OF CITIES

POWERS AND DUTIES	HOME RULE CITY	FIRST CLASS CITY	SECOND CLASS CITY	REFERENCE
Public Education	If the city is in the unorganized borough it must provide the service in accordance with AS 14. A home rule city is not permitted to do so within organized boroughs.	Same as for a home rule city.	The city is not allowed to provide the service under any circumstance.	AS 29.35.260(b) AS 14.12.010 AS 14.12.025
Planning, Platting & Land Use Regulation	If the city is in the unorganized borough, it must exercise the powers. If it is in an organized borough, it may be permitted by borough to exercise the powers.	Same as for a home rule city, except the power must be exercised in accordance with AS 29.40.	The city is not required to exercise the powers in any circumstance, but may be permitted in all cases in the manner described for first class cities.	AS 29.35.250(c) AS 29.35.260(c)
Property Tax	The city may tax up to 30 mills, except where a higher levy is necessary to avoid default on debt. Some home rule charters require voter approval to authorize the levy property taxes.	The city may tax up to 30 mills except where a higher levy is necessary to avoid default on debt. Voter approval is not required by statute, however, some general law municipal governments have more restrictive limitations imposed at the local level.	The city may tax up to 20 mills, except where a higher levy is required to avoid default. Voter approval is required.	AS 29.45.550- AS 29.45.590;
Sales Tax	The rate of levy may be limited by charter. Requirements for voter approval may also be set by charter	There is no limit on the rate of levy of sales taxes; however, voter approval is required.	Same as for a first class city.	AS 29.45.700
Other Powers	Possess all legislative powers not prohibited by law or charter	May exercise other powers not prohibited by law	May exercise other powers not prohibited by law	Art. X, § 11 Ak. Const.. AS 29.35.250
City Council composition and apportionment	Determined by charter or ordinance.	6 members elected at-large, except the council may provide for election other than at-large.	7 members elected at-large, except the council may provide for election other than at-large.	AS 29.20.130
Election and Term of Mayor	Determined by charter or ordinance.	Elected at large for a 3-year term, unless a different term not to exceed 4 years is provided by ordinance.	Elected from the city council for a 1-year term, unless a longer term is provided by ordinance. Mayor is selected by council (or by voters upon adoption of ordinance)	AS 29.20.230 AS 29.20.240
Vote by Mayor	Determined by charter or ordinance.	May vote to break a tie vote on the city council.	Votes on all matters.	AS 29.20.250
Veto Power of the Mayor	Determined by charter or ordinance, except veto is not permitted of ordinance prohibiting possession of alcohol.	Has veto power with the same exception noted for home rule cities.	Has no veto power.	AS 29.20.270
Power of Eminent Domain	Permitted by statute.	Permitted by statute.	Permitted, but requires voter approval.	AS 29.35.030
Ability to Attain Home Rule Status	Already has home rule status.	Voters may adopt home rule charter.	May not adopt home rule charter without first reclassifying to a first class city.	AS 29.10.010

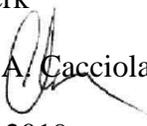
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MEMORANDUM

To: Lori Goodell
City Clerk

From: Charles A. Cacciola 

Date: July 18, 2019

Re: Dedication of Tax Proceeds

You asked if certain city tax proceeds can be dedicated to a specific purpose.

The council can lawfully adopt an ordinance directing that certain city tax proceeds, such the proceeds of an excise tax, be used for a specific purpose.

Article IX, Section 7 of the state constitution prohibits dedicating the “proceeds of any *state* tax or license” to a specific purpose. This section does *not* apply to proceeds of municipal taxes. As long as the specific purpose is a “public purpose,”¹ dedication of municipal tax proceeds is constitutional. Alaska Statute Title 29, which governs municipalities, does not prohibit such an ordinance. Because there is no constitutional or statutory restriction, authority for such an ordinance is provide by AS 29.35.010(9) and by AS 29.35.260(a). Finally, the Dillingham Municipal Code does not conflict with such an ordinance, though the budgeting process continues to apply.²

An ordinance dedicating certain tax proceeds to a specific purpose has no special protection from amendment or repeal. It is the same as any other ordinance: amendment

¹ Art. IX, Sec. 6: “No tax shall be levied, or appropriation of public money made, or public property transferred, nor shall the public credit be used, except for a public purpose.”

² See DMC Chapter 4.10, 4.12; see also DMC 4.04.030.

or repeal can be introduced at a regular or special council meeting, the ordinance published and set on for public hearing, and followed by a council vote.³ So if a new tax and dedication of those proceeds are adopted together, the dedication can generally be repealed without repealing the tax itself.

Please do not hesitate to ask if you have any further questions.

³ DMC 12.12.050.