

Haines Borough
Borough Assembly SPECIAL Meeting #80
August 29, 2005

MINUTES

Approved

1. CALL TO ORDER/PLEDGE TO THE FLAG: Mayor **CASE** called the special meeting to order at 6:30 p.m. in the Assembly Chambers of the Public Safety Building and led the pledge to the flag.

2. ROLL CALL **Present**: Mayor Mike **CASE** and Assembly Members Scott **ROSSMAN**, Debra **SCHNABEL**, Norm **SMITH**, Jerry **LAPP**, Herb **VANCLEVE**, and Stephanie **SCOTT**.

Staff Present: Robert **VENABLES**/Borough Manager, Julie **COZZI**/Borough Clerk, Jila **STUART**/Chief Fiscal Officer, Addison **FIELD**/Museum Director, and Lori **STEPANSKY**/Tourism Director.

Visitors Present: Bonnie **HEDRICK**/CVN, Chris **SHARP**/KHNS, Darsie **BECK**, Deborah **VOGT**, and Karen **HESS**.

3. APPROVAL OF AGENDA:

M/S **LAPP/SCOTT** Motion to approve the Agenda.

The motion carried unanimously.

4. ORDINANCE 05-08-120

An ordinance of the Haines Borough amending Sections 3.80.030, 3.80.35, and 3.80.220; and Chapter 3.23 of the Haines Borough code regarding the collection and application of the borough consumer sales tax pursuant to a vote of the people at the October 4, 2005 regular election.

M/S **LAPP/SCOTT** Motion to reconsider the 8/23/05 motion to adopt Ordinance 05-08-120.

The motion to reconsider passed 5-1 with **VANCLEVE** opposed.

SMITH said he is opposed to Option B because it does not have the lodging excise tax going to tourism or a convention center. He does not want it to continue disappearing into the General Fund.

SCHNABEL thanked the assembly for their willingness to reconvene and read the following prepared statement: "Citizens elect to assess taxes on sales of goods and services as a means of raising revenues to support government functions. The tax is paid by consumers who may or may not

be residents. When we speak of sales tax, it is inappropriate to speak of the taxpayer as a resident or a nonresident...the payer is a consumer. Currently, sales of goods or services occurring in the Borough are taxed at 1.5%. The approximate annual sales taxed at this rate are \$36,600.00, and \$540,000 is raised. It is currently lawful to spend these funds only on general government services and medical services. Since consolidation, certain government functions that were recognized only by the Townsite Service Area (TSA) are recognized as areawide function: tourism promotion and development, economic development, parks and recreation, libraries, museums, cemeteries, to name a few. The borough also assesses a 4% tax areawide on sales of lodging, and this tax raises an additional \$65,000 for the general fund. \$540,000 plus \$65,000 raised by 1.5% sales tax and 4% lodging tax is inadequate to pay for areawide functions. Currently, sales of goods or services occurring within the TSA, approximately \$33,000,000 annually, are taxed an additional 4%. The revenue generated legally pays for general government expenses for the TSA: police, fire, animal control and road maintenance, and for tourism promotion and development, capital improvements and economic development. The total annual sales taxed at the 4% rate are approximately \$33,000,000, and approximately \$1,320,000 is raised. Revenues collected from sales only within the TSA are being used to subsidize the areawide functions of parks and recreation, tourism promotion and development, capital improvements and economic development. Ordinance 05-08-120 attempts to align the taxes collected on sales to the functions of government within political boundaries. The Transition Plan of the Haines Borough, adopted upon consolidation, addresses the issues of sales tax and recommends that sales tax be uniform throughout the borough. The plan proposed by Ordinance 05-08-120 attempts to provide the TSA the opportunity to continue to raise revenues for unique functions without raising the rate of sales tax within the TSA. It does this by capturing sales previously not taxed, i.e., sales outside of the TSA - approximately \$3,300,000 annually, by reallocating revenues to areawide expenses previously borne only by the TSA. The Finance Committee proposed a tax structure that has become known as Option A. When the option was introduced by the committee as an ordinance to be heard, it was sent back to committee for reconsideration. An argument was put forth that separating economic development from tourism promotion and development, both areawide functions, would not be supportable by the voters who wanted to see a unique allocation to economic

development. Option B was put forth, essentially maintaining the commingling of tourism promotion and development and economic development, as a possible means of attracting more voters to the idea of sales tax reform. The Finance Committee believes that Option A more closely describes the action of the assembly in June by adoption of the budget that does not provide for continuation of employment of a distinct economic development director. The assembly agreed by passage of the budget that the functions of general administration (i.e., management) and economic development were so entwined in the body of the Manager Robert Venables that we would not fill the position vacated by Venables when he was hired as the manager. This was also a decision that helped to balance the budget. Currently, the 1% designed for tourism promotion and development and economic development raises approximately \$339,000. The tourism budget is \$286,000 and the remainder is allocated to economic development, essentially paying for part of the manager's salary (\$50,000) and our lobbyist (\$50,000). Option A attempts to provide for tourism and promotion a distinct fund that cannot be assumed for any purpose but tourism promotion and development. Whether or not the assembly and the public agree that is a good thing remains to be discovered."

SCOTT asked if the amendment passed last meeting is still in effect. **CASE** clarified that the motion to reconsider has returned the assembly to the very same point they were before the motion to adopt was voted on.

SCHNABEL said Option B would retain what we have now which is an estimated \$339,000 a year shared by tourism and economic development. As she has thought about it more, the sharing puts tourism in more jeopardy than if it were separate from economic development. Option B retains for the assembly the option to pay for administrative functions or any other activities the assembly chooses to describe as economic development. Whereas, Option A would make it more difficult to justify...

M/S **VANCLEVE/LAPP** Motion to amend to accept the Option B version.

VANCLEVE said he was struck by **SCHNABEL**'s explanation saying Option A more accurately reflects the assembly's budget position. He believes the voters specifically wanted economic development and dedicated part of the 1% tax to it; the voters said this is how we want the money spent. He believes Option A takes that from the voters. **SCOTT** asked **STUART** if the \$65,000 for lodging tax was under-estimated. **STUART** said the amount has gone down since RVs were excluded

from paying the tax. **SCOTT** spoke to **VANCLEVE** and said the assembly is asking the public to reconsider the tax dedication. She really believes the assembly needs to come to an understanding that economic development is an inherent function of local government just like safety and health. She is sensitive to the issues raised about tourism funds being in jeopardy. She spoke against Option B and in favor of Option A.

SMITH said asked to hear from **HESS**. **HESS** thanked **SMITH** and said the ordinance wording is confusing to the public. She believes that, once again, the Haines Borough is trying to put something quickly on the ballot without having thoroughly thought it through. There are too many ambiguities and tourism would take a hit. The community has to be promoted and money is needed to make that happen. She said the assembly needs to make sure they themselves understand the ordinance before they put it on the ballot for the voters to decide. She doesn't believe it will pass, and it's not a good idea to take money away from tourism. She agreed with **SMITH** one-thousand percent that all of the lodging tax should go back into tourism promotion.

LAPP asked **HESS** if areawide tourism taxes should be collected. She said "yes." He said Option B does not take money away from Tourism and asked her if she would support it. She said it is more favorable but Option B should include the lodging tax going to Tourism. **SCHNABEL** said Option B retains Fund 23 as it currently is---funding both tourism and economic development. It captures tax on all of the sales occurring outside of the townsite service area and has no exact amount of money designated for Tourism alone. There is, however, an exact amount of money designated for Tourism AND Economic Development. The assembly decides the portions and the various activities. Right now, there is a commingling of functions and Option A proposes to separate them. She said she believes that some of **VANCLEVE**'s comments have validity. She said it really wasn't the issue of taking money away from Tourism. Her question was how the voters would perceive the removal of economic development from the tax. She agreed with **SCOTT** that economic development is a function of government. **SCOTT** said Option A guarantees money to tourism and does not eliminate other sources of funds. There is no guarantee in Option B. **CASE** noted neither of the options preclude increased revenue to tourism.

The motion tied 3-3 with **SCOTT**, **SMITH**, and **SCHNABEL** opposed. Mayor **CASE** voted "yes" to break the tie, and the motion carried.

SCHNABEL said there are many advocates that believe the lodging tax should go to tourism. Option B does not include that as a feature. Option B does not take care of the problem of Townsite Service Area functions not being adequately funded by the current sales tax structure. **LAPP** said Option B will be more acceptable to the voters and it starts to do what the transition plan says--to get things on a more even keel.

The motion tied 3-3 with **SMITH**, **SCOTT**, and **SCHNABEL** opposed; Mayor **CASE** broke the tie with a "yes" vote and the motion carried.

5. ADJOURNMENT - 7:20 pm

M/S **LAPP/VANCLEVE** Motion to adjourn.
The motion carried unanimously.

ATTEST:

Mike Case, Mayor

Julie Cozzi, Borough Clerk