

**KODIAK CITY COUNCIL**

**WORK SESSION AGENDA**

**Tuesday, July 10, 2012**

**Kodiak Island Borough Conference Room**

**7:30 p.m.**

*Work sessions are informal meetings of the City Council where Councilmembers review the upcoming regular meeting agenda packet and seek or receive information from staff. Although additional items not listed on the work session agenda are sometimes discussed when introduced by the Mayor, Council, or staff, no formal action is taken at work sessions and items that require formal Council action are placed on a regular Council meeting agenda. Public comments at work sessions are NOT considered part of the official record. Public comments intended for the "official record" should be made at a regular City Council meeting.*

**Discussion Items**

1. Public Comments (limited to 3 minutes)
2. Discussion of Transient Room Rental Sales Tax Ordinance Amendment .....1
3. Baranof Park Update..... No backup
4. Review and Score FY2013 Nonprofit Grant Applications ..... Included separately
5. Bio-solids Disposal Update..... No backup
6. July 12, 2012, Agenda Packet Review

**To Be Scheduled**

1. Review of Downtown Parking Plan (Sept. 13)

---

**MEMORANDUM TO COUNCIL**

---

**To:** Mayor Branson and City Councilmembers  
**From:** Aimée Kniaziowski, City Manager  
**Thru:** Mary Munk, Finance Director  
**Date:** July 10, 2012  
**Work Session**  
**Agenda Item #2:** Transient Room Rental Sales Tax Ordinance Amendment

---

**SUMMARY:** Council adopted Ordinance No. 1297 on June 14, 2012, which increased the City's sales tax from six percent to seven percent. However, due to an oversight, KCC 3.08.010 (A) and 3.08.110 (A) did not change to reflect the new sales tax rate. Without an ordinance change, the language in those sections of the code mandate that a total of eleven percent be collected on transient room rentals within the City (a five percent transient rental tax and the former sales tax rate of 6 percent).

In order to make this section of the City Code consistent with the new seven percent sales tax rate and keep the sales tax rate consistent with all transactions for local businesses, an ordinance must be adopted to change the sales tax rate on transient room rentals from six percent to seven percent, with the transient tax remaining at five percent. The ordinance to increase the combined transient room rental taxes from eleven percent to twelve percent should be adopted and become effective on October 1, 2012, to stay on the same timeline as Ordinance No. 1297.

**PREVIOUS COUNCIL ACTION:**

- April 26, 2012, Council approved Ordinance No. 1297, amending the City's sales tax and sales tax cap rates in the first reading and advanced to second reading
- May 10, 2012, Council postponed second reading and public hearing of Ordinance No. 1297
- June 14, 2012, Council adopted Ordinance No. 1297, changing the sales tax rate from 6% to 7% with an effective date of October 1, 2012

**DISCUSSION:** In order to keep the sales tax rate of seven percent consistent with all transactions, the total transient room rental rate should be changed to twelve percent by ordinance. Without adopting this ordinance, the City will have three tax rates effective October 1, 2012. The taxes would be a seven percent sales tax rate on all sales and services, except transient room rentals, a five percent transient room rate on transient room rentals, and a six percent sales tax rate on transient room rentals. This will be cumbersome for the businesses involved in all these businesses and three separate reports would have to be submitted.

Staff worked with the City Attorney to draft the proposed amendments to sections of KCC 3.08 as follows:

- An amendment to Section 3.08.010 (a) is proposed to increase the sales tax to twelve percent for all transient room rentals within the City.
- The tax table in Section 3.08.010 is also proposed to change to reflect the proposed 1% sales tax increase.

**ALTERNATIVES:** Council has two primary alternatives. Council may adopt the proposed ordinance, which is staff's recommendation because it keeps the sales tax rates equal across the board, which was Council's intent when Ordinance No. 1297 was adopted. Council may choose not to adopt the ordinance, which would create several tax levies, create confusion, and result in loss of revenue to the General Fund.

**FINANCIAL IMPLICATIONS:** When Council adopts this ordinance and it becomes effective in October in conjunction with Ordinance No. 1297, it will allow the City to meet its current obligations and allow the fund balance to grow again for the first time in many years. It will further allow for a consistent sales tax code which meets the goals of the City Council.

**LEGAL:** The City Attorney discussed the required actions necessary to introduce the code changes and prepared the draft ordinance.

**STAFF RECOMMENDATION:** The section of Title 3 that sets the transient room tax is very poorly written. The wording makes it appear that the City collects a total of eleven percent in transient room rental tax, something separate from the sales tax rate. However, due to past code revisions, there is more language identifying that the eleven percent total tax is made up of a five percent transient room tax and the sales tax rate of six percent. Staff overlooked the need to include the transient tax in Ordinance No.1297 and regrets this oversight. If the current language is left in place, it will result in three separate tax rates; seven percent on sales and services, five percent on transient room rentals, and six percent on transient room rentals sales tax. This ordinance would correct that oversight and change the sales tax portion of the rate collected from six percent to seven percent to be consistent with the new rate adopted in Ordinance No. 1297. Staff also recommends that the new ordinance become effective on October 1, 2012, to be consistent with the effective date of Ordinance No. 1297.

**ATTACHMENTS:**

Attachment A: Ordinance No. 1297

Attachment B: Proposed Ordinance Amending KCC 3.08.010 (A) and 3.08.110 (A)

**CITY OF KODIAK  
ORDINANCE NUMBER 1297**

**AN ORDINANCE AMENDING KODIAK CITY CODE 3.08.010(B), LEVY OF SALES TAX, TO INCREASE THE RATE OF SALES TAX FROM SIX PERCENT TO SEVEN PERCENT ON ALL SALES, RENTALS, AND SERVICES MADE WITHIN THE CITY OTHER THAN RENTALS OF TRANSIENT ROOMS; AND AMENDING KODIAK CITY CODE 3.08.110(B), TAX SCHEDULE, TO REFLECT THE INCREASE IN THE SALES TAX RATE**

BE IT ORDAINED by the Council of the City of Kodiak, Alaska, that:

**Section 1:** Subsection (b) of Kodiak City Code 3.08.010, Levy of sales tax, is hereby amended to read as follows:

(b) A sales tax of ~~six (6)~~ **seven (7)** percent of the sales price or charge is levied on all sales, rentals, and services made within the city, other than rentals of transient rooms.

**Section 2:** Subsection (b) of Kodiak City Code 3.08.110, Tax schedule, is hereby amended to read as follows:

(b) The amount of tax to be added to the purchase price, rental, or service charge, other than rentals of transient rooms, shall be determined in accordance with the following schedule:

Charge	Tax
Under <del>9</del> <b>8</b> cents	None
\$ <del>.09-.08</del> through \$ <del>.24-.21</del>	\$.01
<del>.25-.22</del> through <del>.41-.35</del>	.02
<del>.42-.36</del> through <del>.58-.49</del>	.03
<del>.59-.50</del> through <del>.74-.64</del>	.04
<del>.75-.65</del> through <del>.91-.78</del>	.05
<del>.92-.79</del> through <del>1.08-.92</del>	.06
<del>1.09-.93</del> through <del>1.24-1.07</del>	.07
<del>1.25-1.08</del> through <del>1.41-1.21</del>	.08
<del>1.42-1.22</del> through <del>1.58-1.35</del>	.09
<del>1.59-1.36</del> through <del>1.74-1.49</del>	.10
<del>1.75-1.50</del> through <del>1.91-1.64</del>	.11
<del>1.92-1.65</del> through <del>2.08-1.78</del>	.12
Over \$ <del>2.09</del> <b>1.78</b>	Continue on same scale.

**Section 3:** This ordinance shall be effective upon the later to occur of (i) the date that is one month after its final passage and publication in accordance with Kodiak Charter Section 2-13; and (ii) October 1, 2012.

CITY OF KODIAK

*Pat Brown*

MAYOR

ATTEST:

*Debra Martin*  
CITY CLERK



First Reading: April 24, 2012  
Second Reading: May 10, 2012  
Continued Second Reading: June 14, 2012  
Amended: June 14, 2012  
Effective Date: October 1, 2012



**D R A F T**

**CITY OF KODIAK  
ORDINANCE NUMBER \_\_\_\_\_**

**AN ORDINANCE AMENDING KODIAK CITY CODE 3.08.010(A), LEVY OF SALES TAX, TO INCREASE THE RATE OF BED TAX FROM ELEVEN PERCENT TO TWELVE PERCENT ON ALL RENTALS OF TRANSIENT ROOMS; AND AMENDING KODIAK CITY CODE 3.08.110(A), TAX SCHEDULE, TO REFLECT THE INCREASE IN THE BED TAX RATE.**

BE IT ORDAINED by the Council of the City of Kodiak, Alaska, that:

**Section 1:** Subsection (a) of Kodiak City Code 3.08.010, Levy of sales tax, is hereby amended to read as follows:

(a) A sales tax of ~~eleven (11)~~ **twelve (12)** percent of the rental charge is levied on all transient room rentals within the city. This sales tax will also be known as the "bed tax."

**Section 2:** Subsection (a) of Kodiak City Code 3.08.110, Tax schedule, is hereby amended to read as follows:

(a) The amount of the tax to be added to the rental charge for transient room rentals shall be determined in accordance with the following schedule:

Charge	Tax
Under 5 cents	None
\$ .05 through \$ <del>.14</del> <b>.12</b>	\$ .01
<del>.15</del> <b>.13</b> through <del>.22</del> <b>.20</b>	.02
<del>.23</del> <b>.21</b> through <del>.31</del> <b>.29</b>	.03
<del>.32</del> <b>.30</b> through <del>.40</del> <b>.37</b>	.04
<del>.41</del> <b>.38</b> through <del>.49</del> <b>.45</b>	.05
<del>.50</del> <b>.46</b> through <del>.59</del> <b>.54</b>	.06
<del>.60</del> <b>.55</b> through <del>.68</del> <b>.62</b>	.07
<del>.69</del> <b>.63</b> through <del>.77</del> <b>.70</b>	.08
<del>.78</del> <b>.71</b> through <del>.86</del> <b>.79</b>	.09
<del>.87</del> <b>.80</b> through <del>.95</del> <b>.87</b>	.10
<del>.96</del> <b>.88</b> through <del>1.04</del> <b>.95</b>	.11
<b>.96 through 1.04</b>	<b>.12</b>
Over \$ 1.05	Continue on same scale.

**Section 3:** This ordinance shall be effective upon the later to occur of (i) the date that is one month after its final passage and publication in accordance with Kodiak Charter Section 2-13; and (ii) October 1, 2012.

CITY OF KODIAK

---

MAYOR

ATTEST:

---

CITY CLERK

First Reading:  
Second Reading:  
Effective Date:

Ordinance Number \_\_\_\_\_

Page 2 of 2

{