

**KODIAK CITY COUNCIL**

**WORK SESSION AGENDA**

**Tuesday, April 26, 2016**

**Kodiak Public Library Multi-Purpose 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. Water Rate Study Update (Kurt Playstead, CH2M) .....1
3. Review Nonprofit Grant Process .....9
4. Update on New Compost Storage Building..... No Backup
5. COLA Adjustments to Pay Scale.....17
6. Discussion of Ordinances Related to Marijuana in City Limits .....29
7. Summer Meeting Schedule
8. Elected Officials Training/Travel Requests
9. April 28, 2016, Agenda Packet Review

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DRAFT

# 2016 City of Kodiak Water Rate Update: Financial Plan

*Prepared for*

City of Kodiak

April 2016



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# Executive Summary

## Introduction

CH2M completed a financial analysis and rate study for the City of Kodiak (City) water utility. A 5-year financial model (fiscal year [FY] 2017 through FY 2021) was developed to analyze the impact that implementing the utility's proposed capital improvement plan (CIP) and projected operating expenses will have on the City's water rates. In addition, a cost of service analysis was conducted to determine the cost of providing service to each of the water system's customer classes. As part of the analysis, CH2M reviewed historical expenses and revenues associated with the utility as well as water consumption records by customer class.

## Revenue Requirements

Based on the City's existing rate schedule, and including non-rate revenues (revenue from interest income, connection fees, miscellaneous charges, and intergovernmental sources), that are deducted from the utility revenue requirements, existing rate levels will not be sufficient to cover the projected system revenue requirements, and rate increases or adjustments to the projected costs will be necessary. For this analysis, it was assumed that rate adjustments would be used to generate the additional revenues needed to cover the projected system costs.

Figure ES-1 presents the total water utility revenue requirements projected for FY 2017 through FY 2021. Total projected revenue requirements are expected to increase from nearly \$4.6 million in FY 2017 to approximately \$5.5 million in FY 2021.

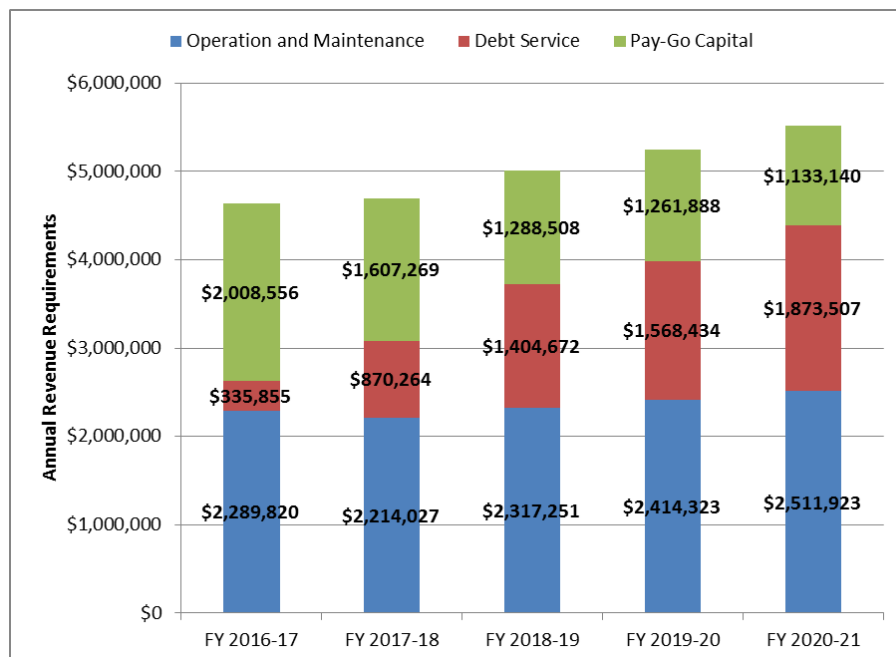


Figure ES-1. Total Revenue Requirements, FY 2017-FY 2021

For this analysis, rate increases are introduced every year beginning in FY 2017. The current rates generate sufficient revenue to fund current operations and maintenance (O&M) and debt service costs. However, because the proposed CIP over the 5 year analysis period totals approximately \$32.2 million (inflation-adjusted), rate increases are required to cover the projected debt service requirements on the

anticipated bonds that would be issued to finance these improvements, and improvements that were assumed to be funded from current revenues or reserves. Table ES-1 presents the projected annual rate revenue increases assuming the proposed increases were applied uniformly to all customer classes and rates.

**Table ES-1. Projected Annual Rate Increases**

<b>Fiscal Year</b>	<b>Annual Water Increase</b>
FY 2017	4.0%
FY 2018	4.0%
FY 2019	4.0%
FY 2020	5.0%
FY 2021	5.0%

## Allocation of System Costs

A fundamental principle for developing an equitable system of user charges is to ensure that all users pay (through user charges or other fees) for their share of the total costs imposed on the system. A financial plan is used to determine annual costs and associated funding sources for a particular planning horizon (e.g., 5 to 10 years). The process of then allocating utility system costs to customer classes based on service demands is referred to as a cost of service analysis. This analysis generally includes the following steps:

- Allocate costs to system functions and service characteristics
- Analyze user characteristics
- Allocate costs to users in proportion to demands

The resulting total costs allocated to each customer class is their estimated cost of service. Rates can then be designed to generate revenues from the customers comprising each class approximately equal to their cost of service.

Table ES-2 presents the results of the cost of service analysis or projected cost of service by customer class over the 5-year projection period.

**Table ES-2. Summary of Water System Cost by Customer Class**

<b>Customer Class</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>
Unmetered	\$1,813,325	\$1,841,108	\$1,971,397	\$2,068,614	\$2,182,139
Commercial-metered	\$129,251	\$131,476	\$140,907	\$147,907	\$156,114
Industrial-metered	\$2,689,305	\$2,716,556	\$2,895,529	\$3,025,408	\$3,177,456
VFW/Landfill	\$2,350	\$2,419	\$2,597	\$2,715	\$2,861
<b>Total</b>	<b>\$4,634,231</b>	<b>\$4,691,559</b>	<b>\$5,010,430</b>	<b>\$5,244,645</b>	<b>\$5,518,570</b>

## Water Rate Design

Scenarios were developed using the City's existing rate structure which consists of a flat rate per equivalent service unit (ESU) for unmetered customers and fixed and variable charges for metered commercial and industrial customers. The scenarios presented in this section differ from the City's current rates in how they recover revenue from different customer classes and how much revenue is recovered from fixed vs. variable charges. Implementing changes to the City's rates that shift revenue recovery among customer classes is always challenging. This is particularly true in the context of

projected system-wide revenue increases, as the cumulative impacts may be significant for some customers.

The specific rate scenarios developed for this analysis are as follows:

- Option 1: Across-the-board rate increases
- Option 2: Cost of service rates
- Option 3: Phased cost of service rates

Each of these rate scenarios is presented in detail below. All of the options are designed to generate the same amount of revenue for the water utility in each year – equal to the revenue requirements identified in the financial plan. The scenarios differ in how much revenue is recovered from each customer class and rate component. For each scenario, the charges per ESU for unmetered customers located inside and outside the City are presented (see Appendix 1 for ESU schedule), along with the ready to serve charge (i.e., the fixed charge per month that varies by meter size) and the volume charges for metered customers.

Figure ES-2 presents the monthly residential rate for inside city customers for each scenario. Option 1 would incorporate the system wide percentage increases presented previously in Table ES-1. Adopting Option 2 (Cost of Service) would result in an initial decrease in the monthly rate followed by steady increases each year. The phased approach (Option 3) would keep the residential monthly rate constant throughout the analysis period.

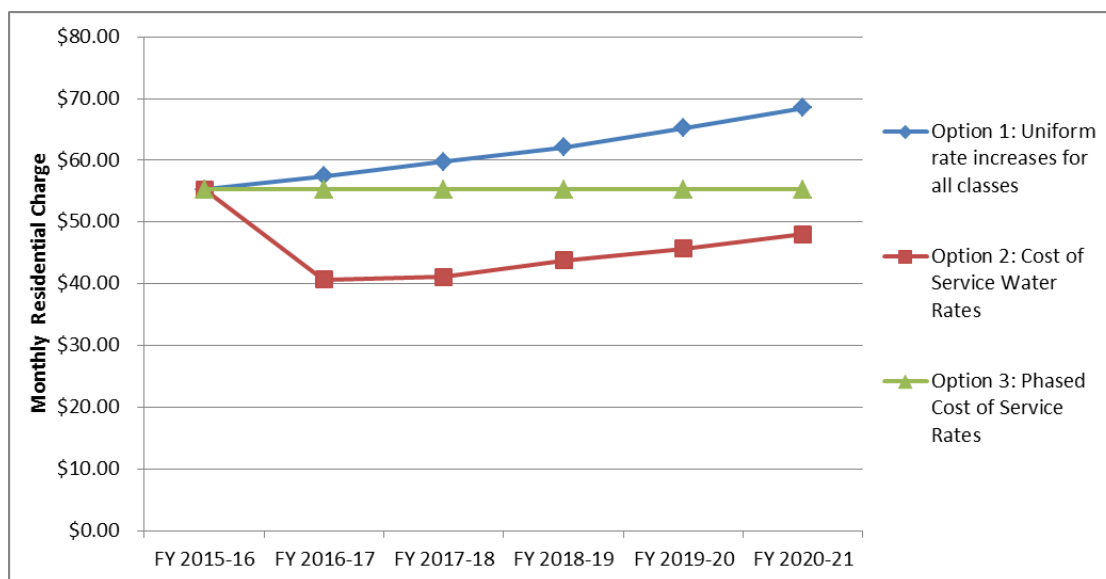


Figure ES-2. Monthly Residential Rate by Scenario

Figure ES-3 presents the industrial volume rate for each scenario. Option 1 would incorporate the system wide increases presented previously in Table ES-1. Adopting Option 2 (Cost of Service) would result in large increase in FY 2016/17 followed by steady increases each year. The phased approach (Option 3) would move the industrial rate closer to the cost of service rate more gradually over the analysis period, reducing the rate impact to the customers.

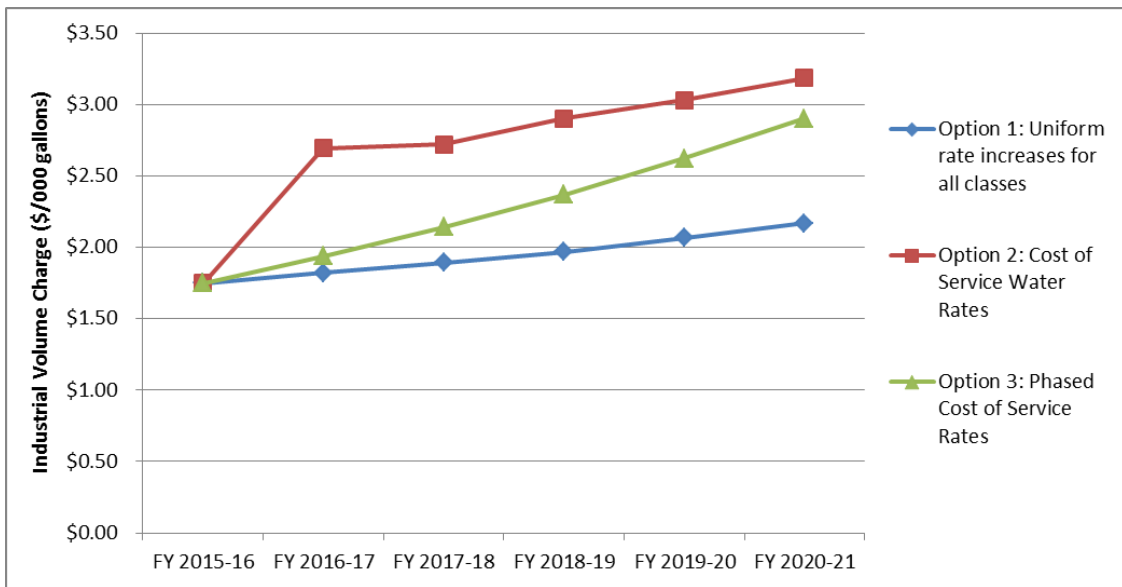
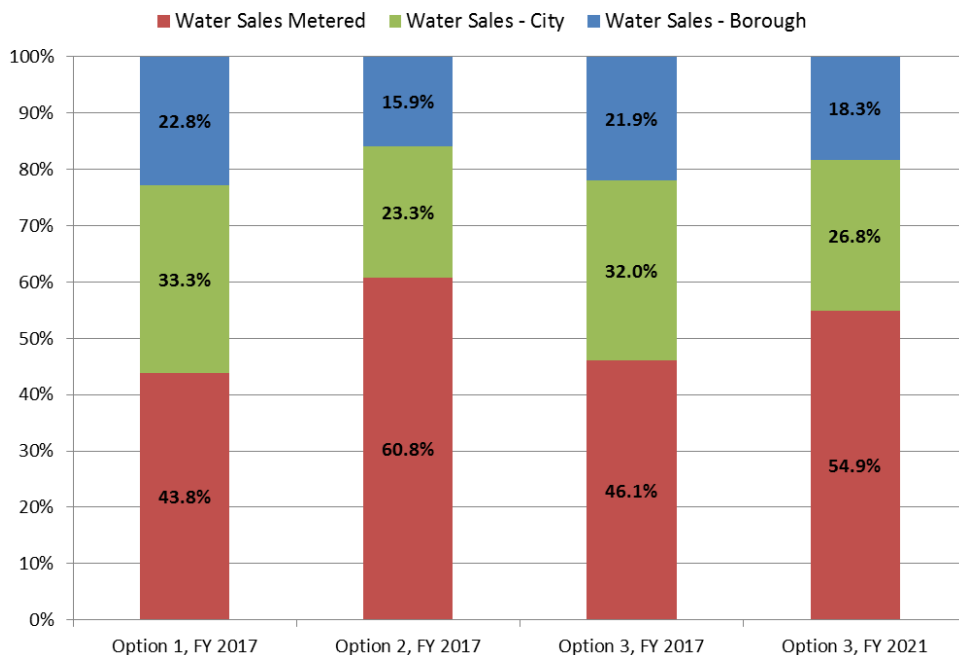


Figure ES-3. Industrial Volume Charge by Scenario

Figure ES-4 presents the revenue recovery by customer class for existing rates and for each of the rate options. The revenue recovery for the rate options is for FY2016/17. Revenue recovery for FY 2020/21 for Option 3 is also presented to illustrate the change in revenue recovery over time by implementing the phased cost of service approach. All of the rate options are designed to generate approximately \$4.6 million in rate revenue in FY 2016/17. Depending on the rate design option, revenue recovery shifts between the rate components and customer classes. For example, revenue recovered from unmetered customers' ranges from about \$1.8 million under Option 2 to \$2.5 million under Option 1. For metered commercial and industrial customers, revenue recovery ranges from \$2.0 million under Option 1 to \$2.8 million under Option 2 (a 48% increase over existing rates).

It should be noted that the revenue recovery by customer class will vary from year to year as revenue requirements change.



## Sample Monthly Water Bills

Sample bills under current rates and the three options are shown in Table ES-3 for FY 2016/17. The first rate increase is scheduled for FY 2016/17. Option 1 represents customer bills under a uniform rate increase scenario. Under the cost of service option (Option 2), bills for unmetered customers decrease dramatically while metered industrial customers experience very large increases. Bills for large users increase under each option because of the higher volume rates. Under the phased approach (Option 3), rates remain unchanged for unmetered customers and commercial metered accounts. Industrial customers would experience an increase of approximately 10 percent.

Table ES-3. Sample Water Bills

Customer Type	Monthly Water Consumption (000 gallons)	Existing Rate	FY 2016/17		
			Option 1	Option 2	Option 3
<b>Sample Monthly Bill</b>					
Residential-Inside City		\$55.23	\$57.44	\$40.67	\$55.23
Residential-Outside City		\$66.26	\$68.93	\$48.80	\$66.26
Commercial 2"	15	\$103.23	\$107.36	\$76.66	\$103.74
Commercial 4"	30	\$283.53	\$294.87	\$265.08	\$284.55
Industrial 6"	1,000	\$2,179.86	\$2,267.05	\$3,086.95	\$2,366.03
Industrial 8"	5,000	\$9,438.01	\$9,815.53	\$14,102.61	\$10,368.84
<b>Percent Change from Existing</b>					
Residential-Inside City			4%	-26%	0%
Residential-Outside City			4%	-26%	0%
Commercial 2"	15		4%	-26%	0%
Commercial 4"	30		4%	-7%	0%
Industrial 6"	1,000		4%	42%	9%
Industrial 8"	5,000		4%	49%	10%

## Summary

Table ES-4 presents a summary of each option with the advantages/disadvantages of each rate option.

Table ES-4. Summary of Rate Design Options

Rate Design	Description	Advantage	Disadvantage
Option 1	Across the board increases	Easy to implement/explain; greater revenue stability	Equity; cost of service analysis supports a change in revenue recovery among customer classes
Option 2	Cost of service rates	Rate equity—recovers revenue in proportion to estimated	Shifts revenue recovery to volume charge; less revenue stability;



		system demands	harder to explain; significant bill impacts to some users
Option 3	Phased cost of service rates	Phases in potentially significant impacts to some users; provides greater revenue stability than Option 2	Shifts more revenue recovery to volume charge; unmetered customers continue to subsidize metered customers

## Recommendations

Based on the study findings summarized in previous sections, the following recommendations are presented for the City’s consideration:

- Implement rate increases presented in Section 5, Option 3 (phased cost of service) in the current fiscal year (FY2016/17) and for the remainder of the forecast period, so that the rates in FY 2020/21 approach each class’s cost of service.
- Review financial plan regularly to ensure actual revenues and expenditures are tracking with the projections developed in this analysis. The City should review the financial plan annually and adjust the rates as needed to reflect current construction schedules and costs, conditions and assumptions.

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**CITY OF KODIAK  
RESOLUTION NUMBER 2015-16**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK RESCINDING RESOLUTION NO. 2014-19 AND ESTABLISHING FUNDING CRITERIA FOR NONPROFIT GRANTS**

WHEREAS, the City Council recognizes and supports local nonprofit organizations and has historically made funding available to these organizations on an annual basis; and

WHEREAS, it has been determined that the appropriate total amount of City funds to grant to nonprofit organizations is a maximum of one percent of budgeted general fund revenues, exclusive of any fund balance appropriation; and

WHEREAS, City funds have been provided to nonprofit organizations that supplement and compliment the services provided to residents by the City; and

WHEREAS, it is the intent of the City Council to update this policy statement.

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Kodiak, Alaska hereby establishes the following additional funding criteria for nonprofit grants provided by the City:

1. Organizations receiving funds must be legally recognized by the Internal Revenue Service.
2. Funding will be granted only for the following kinds of programs/activities and up to the maximum identified funding amount per organization and program type:

Youth Recreation Programs	\$2,500
Adult Recreation Programs	\$5,000
Public Safety Support Programs (Shelter/Food)	\$10,000
Emergency Response Support Programs	\$10,000
3. Subject to available funding, the Council may authorize a special one-time funding increase for a special project.



ATTEST:

CITY OF KODIAK

\_\_\_\_\_  
MAYOR

\_\_\_\_\_  
DEPUTY CITY CLERK

Adopted: May 28, 2015

**CITY OF KODIAK**  
**Nonprofit Grant Applications**  
**Fiscal Year 2017**  
**Calendar**

- April 12 Council review of City's nonprofit application and award process
- Week of May 9 Mail applications, FY16 financial reports *(if no change to criteria)*
- June 17 Applications and FY16 financial reports due to the City Manager's Office
- July 12 or 26 City Council evaluates applications
- July 14 or 28 Nonprofit funding resolution on agenda for Council approval
- July 15 or 29 Check requests prepared and forwarded to finance
- July 15 or 29 FY16 award notification letters and agreements mailed
- July 22 or Aug 5 Checks returned to City Manager's Office
- August 1 or 8 Grant checks available upon execution of grant agreements and verification of FY16 reports filed

**CITY OF KODIAK**  
**FY17 NONPROFIT FUNDING APPLICATION**  
**Return to City Manager's Office by June 17, 2016.**

**ORGANIZATIONAL OVERVIEW**

Organization Name \_\_\_\_\_

Mailing Address \_\_\_\_\_

Telephone No. \_\_\_\_\_ Fax No. \_\_\_\_\_

Email \_\_\_\_\_

Federal Employer Tax ID Number \_\_\_\_\_

Contact Person \_\_\_\_\_

Printed Name

Title

Contact Person \_\_\_\_\_

Signature

Date

List of Board Members and Officers:

_____	_____
_____	_____
_____	_____
_____	_____

Does agency have 501(c)3 status from the IRS?      \_\_\_\_\_ Yes      \_\_\_\_\_ No

If yes, please include a letter from the IRS signifying agency's official non-profit tax exemption status.

If no, has your agency applied for 501(c)3 status?      \_\_\_\_\_ Yes      \_\_\_\_\_ No

**SERVICES:**

Provide a brief description of organization service(s) in order of priority:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

The City of Kodiak does not fund religious programs. Are your agency's services faith-based?

\_\_\_\_\_ Yes      \_\_\_\_\_ No

If yes, how do you plan to use the City's funding? \_\_\_\_\_

\_\_\_\_\_

How many City residents will be served by this grant? \_\_\_\_\_

Please attach a copy of the organization's Mission Statement.

City of Kodiak Nonprofit Grant Application/Report

FY2017

Page 1 of 5

How does your agency collaborate with other local nonprofit organizations?

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**FINANCIAL INFORMATION**

**Funding will be granted only for the following kinds of programs/activities and up to the maximum identified funding amount per organization, per program type:**

- Youth Recreation Programs \$ 2,500
- Adult Recreation Programs \$ 5,000
- Public Safety Support Programs (Shelter/Food) \$10,000
- Emergency Response Support Programs \$10,000

A special one-time funding increase for a special project is applied for (see page 3 of application) if approved by the Council.

List category(s) of funding requested from the above list and explain how your organization's programs fall within the powers of the City of Kodiak for each category of funding requested:

Category \_\_\_\_\_ Amount \_\_\_\_\_

Explanation: \_\_\_\_\_

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Category \_\_\_\_\_ Amount \_\_\_\_\_

Explanation: \_\_\_\_\_

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Category \_\_\_\_\_ Amount \_\_\_\_\_

Explanation: \_\_\_\_\_

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**OTHER FUNDING SOURCES**

List the amount of funding your agency received from other sources during the past fiscal year:

Federal_____	State_____
City of Kodiak_____	Kodiak Is. Borough_____
Parent Organization_____	Corporate Grants_____
Foundations_____	Client Fees_____
Donations_____	Memberships_____
Interest_____	Gaming Permit Activities (pull tabs, raffles etc.)_____

If you receive state or federal grants, what is the percentage and amount of local match required for each grant your agency receives? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

What effects will there be and what alternative plans does your agency have if City funding is not received? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Did your organization receive funding from the City of Kodiak during the last fiscal year (July 1, 2015 – June 30, 2016). Yes\_\_\_\_\_ No\_\_\_\_\_

**All applicants please complete the OTHER FUNDING SOURCES (top of page 4) and attach FY16 financial reports or latest audits with this application.**

**Scoring Criteria**

- Services meet City nonprofit funding criteria (adult and youth recreation programs, public safety services, and emergency response support programs) 25 points**
- Grant reports submitted to City as required 25 points**
- Number of City residents served 25 points**
- Other sources of applicant funding identified 25 points**

CITY OF KODIAK GRANT REPORT

Please complete this report based on funds received from the City of Kodiak during the period July 1, 2015 through June 30, 2016.

Organization:	
Program:	
2015-2016 Grant Amount:	
Amount Expended Year-to-Date:	
Balance:	

Describe accomplishments with grant funds. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If you have not expended all funds, please describe how and when you intend to spend the balance.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Signature

Submit to:

City Manager  
City of Kodiak  
710 Mill Bay Road, Room 114  
Kodiak, AK 99615

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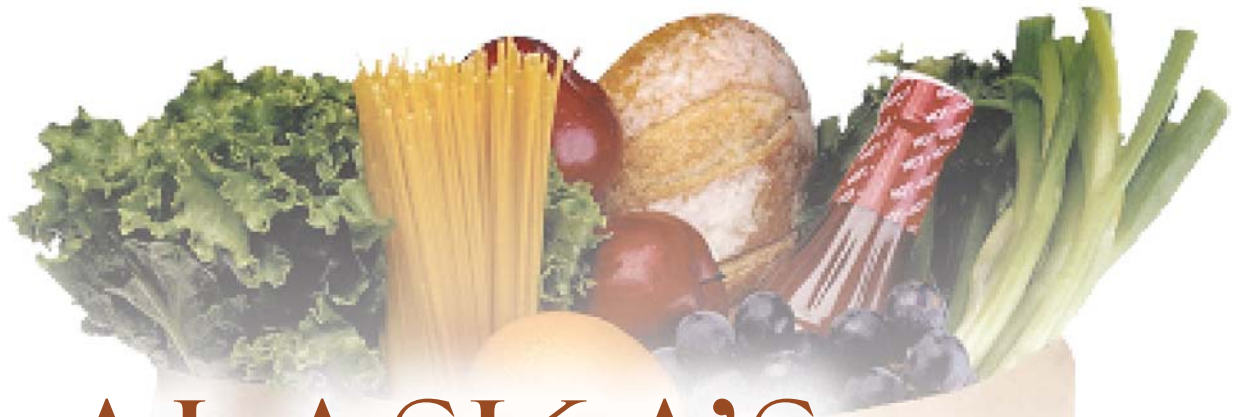


**FY 2017 Budget**

	<u>Total Wages</u>	<u>TOTAL Benefits</u>	<u>Total Wages &amp; Benefits</u>	<b>COLA 5-yr Average based on Anchorage CPI = 2.38% Increase \$</b>	<u>Total Wages &amp; Benefits including COLA</u>
General Fund	5,581,657.30	6,753,121.96	12,334,779.26	<b>293,567.75</b>	12,628,347.00
Enterprise Funds	1,816,551.25	2,277,456.57	4,094,007.82	<b>97,437.39</b>	4,191,445.21
Totals	7,398,208.55	9,030,578.53	16,428,787.08	<b>391,005.13</b>	16,819,792.21

**State of Alaska - Dept of Labor and Workforce  
Development Analysis**

Anchorage CPI	Year 2014	1.60%
Anchorage CPI	Year 2013	3.10%
Anchorage CPI	Year 2012	2.20%
Anchorage CPI	Year 2011	3.20%
Anchorage CPI	Year 2010	1.80%
	Average	2.38%

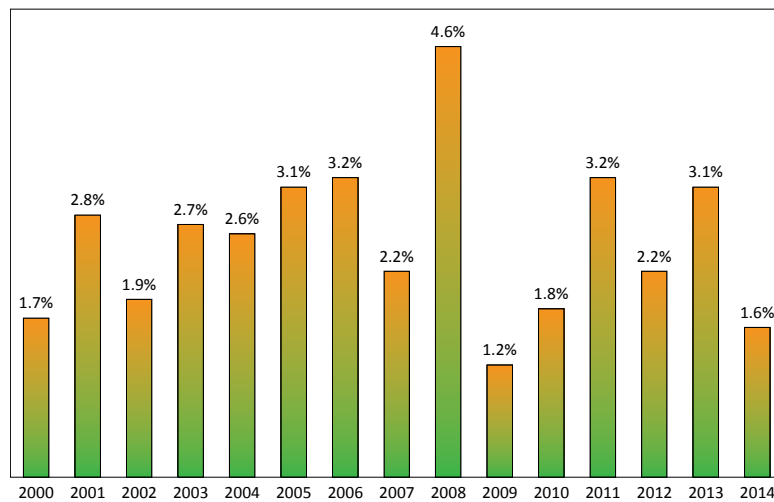


# ALASKA'S COST OF LIVING

Still a spendy place, but prices didn't rise as fast in 2014

## 1 Inflation Was Relatively Low in 2014

ANCHORAGE, 2000 TO 2014



Source: U.S. Bureau of Labor Statistics

By **NEAL FRIED**

The cost of living in Alaska has been a topic of lore and fascination since the state's beginnings. During the gold rush days, writers lamented the often astronomical expense of goods in the territory compared to the rest of the nation — for example, a pound of canned butter during the Klondike Gold Rush was \$5, or about \$142 in today's dollars.

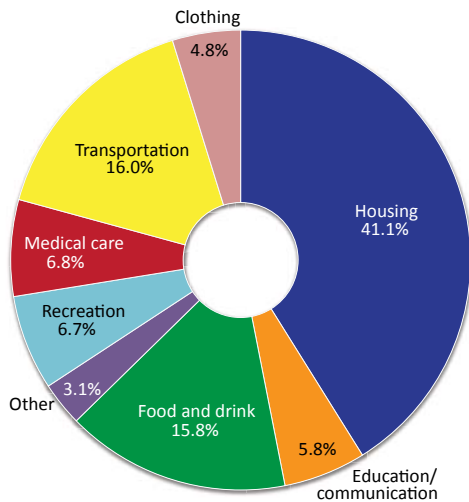
As decades passed, this fixation moderated somewhat as cost-of-living differences narrowed for Alaska's larger communities. But living costs remain one of the most persistent economic challenges in rural Alaska, and the cost of living still ranks among the most requested economic information for Alaskans.

There are two ways to measure the cost of living. One is to exam-



# 2 How We Spend Our Money

## ANCHORAGE CPI, 2014



Source: U.S. Bureau of Labor Statistics

ine the differences between places at a single point in time, which can answer a question like, “Is it more expensive to live in Kodiak, Juneau, or Seattle?” The other way is to look at price changes in a single place over time. The sidebar on this page explains these methods in more detail.

### How fast prices are changing

The only reliable way to compare costs from year to year in Alaska is to track inflation in Anchorage. Although costs in Anchorage don’t represent many Alaska communities, it’s the only Alaska city with its own Consumer Price Index, so it’s often considered the de facto measure of inflation for the state. In most cases, though, price changes in Anchorage don’t differ radically from most Alaska communities.

Overall, 2014 registered the second-smallest increase in prices in a decade, falling to 1.6 percent from 3.1 percent the year before. (See Exhibit 1.) Transportation costs fell slightly, which kept a larger overall cost increase at bay when combined with a moderate rise in housing costs.

Although there’s a national CPI as well as CPIs for 27 metropolitan areas, these indexes can’t be used to compare costs between cities. For example, the 2014 average index for Anchorage was 215.8 and the national index was 236.7, but that doesn’t mean the national cost of living is higher; it just means national prices have increased a bit faster than Anchorage prices since the early 1980s.

## Two ways to measure the cost of living

### 1. In a single place over time (inflation)

Anchorage is one of 27 cities — and the smallest — where the U.S. Bureau of Labor Statistics tracks changes in consumer prices. Because it’s the only CPI in Alaska, it’s treated as the de facto statewide measure of inflation. Although there’s a CPI for the U.S. and for a number of its cities, these indexes cannot be used to compare costs between locations.

BLS goes to great lengths and expense to produce the CPI through elaborate surveys of consumer spending habits. These surveys look at a “market basket” of items, to which BLS assigns location-specific weights. A market basket, used in most cost-of-living indexes, is a sample of goods and services believed to best mimic the average consumer or a specific group of consumers and the CPI basket includes housing, food, transportation, medical care, and entertainment.

The inflation rate, or how much prices have gone up in a year, is used to adjust the value of the dollar over time. Workers, unions, employers, and many others pay close attention to the CPI because bargaining agreements and other wage rate negotiations often incorporate an adjustment for inflation. The CPI also plays a role in long-term real estate rental contracts, annual adjustments to the state’s minimum wage, child support payments, and budgeting. Most Alaskans are affected when the Permanent Fund Corporation uses the CPI to inflation-proof the fund, and nearly all senior citizens are affected when Social Security payments are adjusted each year using the CPI.

The Anchorage CPI is produced twice each year, for January to June and July to December. Information for the latter period and the annual average come out in January of the following year.

### 2. Differences between places

The other way to assess the cost of living is to look at cost differences between places. For example, is it more expensive to live in Barrow or Fairbanks? A variety of studies and data sources this article uses compare the costs of living among Alaska communities and other places around the country.

These studies assume a certain consumption pattern and investigate how much more or less it might cost to maintain a specific standard of living elsewhere. Some of these data are more comprehensive than others, and because there can be several sources for the same areas, it’s important to weigh the strengths and weaknesses of the data sets, which each section of this article discusses for each source. Some may better suit a particular need, or in some cases it may work best to cobble together several sources.

# 3

## Inflation in Anchorage and the U.S.

BY TYPE OF EXPENDITURE, 2004 TO 2014

ALL ITEMS		
Year	Anchorage % chg from previous yr	U.S. % chg from previous yr
2004	2.6%	2.7%
2005	3.1%	3.4%
2006	3.2%	3.2%
2007	2.2%	2.8%
2008	4.6%	3.8%
2009	1.2%	-0.4%
2010	1.8%	1.6%
2011	3.2%	3.2%
2012	2.2%	2.1%
2013	3.1%	1.5%
2014	1.6%	1.6%

ALL ITEMS MINUS HOUSING		
Year	Anchorage % chg from previous yr	U.S. % chg from previous yr
2004	3.1%	2.7%
2005	3.4%	3.8%
2006	3.0%	3.1%
2007	2.6%	2.5%
2008	5.5%	4.5%
2009	0.6%	-1.0%
2010	1.5%	2.6%
2011	3.4%	4.0%
2012	1.7%	2.0%
2013	3.0%	1.1%
2014	1.0%	1.1%

HOUSING		
Year	Anchorage % chg from previous yr	U.S. % chg from previous yr
2004	1.6%	2.5%
2005	2.7%	3.3%
2006	4.0%	3.8%
2007	2.7%	3.1%
2008	2.5%	2.2%
2009	3.7%	0.4%
2010	0.9%	-0.4%
2011	2.9%	1.3%
2012	2.7%	1.6%
2013	3.1%	2.1%
2014	2.7%	2.6%

TRANSPORTATION		
Year	Anchorage % chg from previous yr	U.S. % chg from previous yr
2004	2.8%	3.5%
2005	5.5%	6.6%
2006	4.0%	4.0%
2007	1.2%	2.1%
2008	10.5%	5.9%
2009	-4.8%	-8.3%
2010	4.4%	7.9%
2011	4.7%	9.8%
2012	2.0%	2.3%
2013	7.0%	-
2014	-0.6%	-0.7%

FOOD AND BEVERAGES		
Year	Anchorage % chg from previous yr	U.S. % chg from previous yr
2004	4.4%	3.4%
2005	2.5%	2.5%
2006	1.8%	2.4%
2007	4.6%	3.9%
2008	4.4%	5.4%
2009	-0.2%	1.9%
2010	-0.2%	0.8%
2011	3.6%	3.6%
2012	2.4%	2.6%
2013	0.4%	1.4%
2014	1.3%	2.3%

MEDICAL CARE*		
Year	Anchorage % chg from previous yr	U.S. % chg from previous yr
2004	-	4.4%
2005	-	4.2%
2006	3.5%	4.0%
2007	3.0%	4.4%
2008	3.7%	3.7%
2009	4.3%	3.2%
2010	5.7%	3.4%
2011	5.3%	3.0%
2012	4.3%	3.6%
2013	3.2%	2.5%
2014	3.2%	2.4%

CLOTHING		
Year	Anchorage % chg from previous yr	U.S. % chg from previous yr
2004	0.6%	-0.4%
2005	-2.1%	-0.1%
2006	4.6%	0
2007	-2.8%	-0.4%
2008	6.1%	-0.1%
2009	3.6%	1.0%
2010	3.0%	-0.5%
2011	2.2%	2.2%
2012	4.3%	3.4%
2013	4.8%	0.9%
2014	1.5%	0.1%

ENERGY		
Year	Anchorage % chg from previous yr	U.S. % chg from previous yr
2004	9.7%	10.9%
2005	12.85	17.0%
2006	13.9%	11.2%
2007	9.9%	5.5%
2008	17.5%	13.9%
2009	-7.8%	-18.4%
2010	3.5%	9.5%
2011	10.8%	15.4%
2012	1.1%	0.9%
2013	-2.7%	-0.7%
2014	2.4%	-0.3%

\*No index was created for Anchorage medical care costs in 2004 and 2005.  
Source: U.S. Bureau of Labor Statistics

## The heavyweight is housing

For the Consumer Price Index, the U.S. Bureau of Labor Statistics conducts elaborate surveys of Anchorage consumers' spending habits to understand what people buy and what percentage of their income they spend on goods and services.

Anchorage residents spend the most by far on housing, at more than 40 percent of their income. (See Exhibit 2.) This means housing has the largest "weight" in the index and tends to give cities' CPIs their local flavor. In contrast, national or international trends dictate trends for most other goods and services. Price changes for gasoline, food, clothing, insurance, transportation, health care, and recreation are usually responses to national and global market conditions.

Between 2007 and 2012, Anchorage's CPI housing component increased by 13.3 percent, while the nation's housing prices went up 6.3 percent. In 2010, the nation's housing costs fell and Anchorage's increased by nearly 1 percent.

These numbers reflected the difference between the tough national housing market during the past decade's recession and Anchorage's relatively healthy economy. With the rebound in the national economy, the two housing indexes have been similar for the past two years, and in 2014 they were nearly identical. (See Exhibit 3.)

## Energy costs volatile

Heating is included in the housing category, and because energy prices are the most volatile part of the index, they can also play a big role in year-to-year changes in the overall index.

One caveat for Anchorage is that unlike most people outside Southcentral, its residents use mainly natural gas to heat their homes. Unlike the prices of heating oil and gasoline, which closely track with the price of crude oil, what

## Is there really an ‘average consumer’?

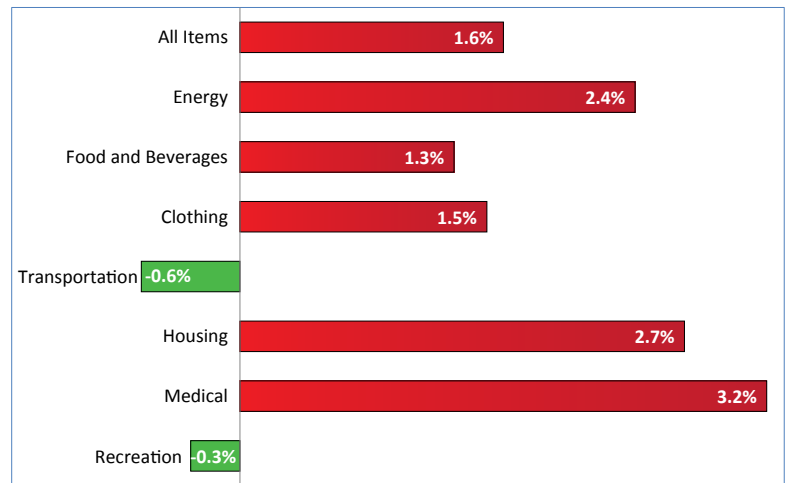
All cost-of-living measures have their shortcomings, because no two consumers spend their money alike, nor does any index accurately capture all the differences. For example, the average household in Nome may spend money differently from the average household in Sitka, and they may differ even more dramatically from a family in Los Angeles. An index may or may not take these differences into account, depending on how sophisticated it is.

Consumer spending habits are also continuously in flux. Technology advances, tastes change, and people react differently to changes in prices.

# 4

## Health Care Expenses Grew Most

ANCHORAGE CONSUMER PRICE INDEX, 2014



Source: U.S. Bureau of Labor Statistics

Anchorage consumers pay for natural gas is far more complex. As with many utilities, the State of Alaska regulates the price of natural gas used for heating. Though its cost can change dramatically, the time period can be quite different from that of oil.

## No category matches health care’s rise

Although health care is a small component of the CPI, its meteoric rise is worth noting. (See Exhibit 4.) No other component has come close to matching the increases in health care costs, which went up 3.2 percent in 2014.

## Alaska’s cities are spendy, but not the highest

Aside from the Consumer Price Index, the remainder of the indexes in this article compare costs between places. The most comprehensive source is the Council for Community and Economic Research, or C2ER, which publishes a detailed cost-of-living survey for more than 250 U.S. cities each quarter and annually based on a professional or executive household in the top income quartile. Besides the CPI, it’s probably the most widely used cost-of-living measure and the one many other indexes use for their own calculations. (An example is

Continued on page 10

## Calculating index changes

Movements of the indexes from one period to another are usually expressed as percent changes rather than index points, because index points are affected by the level of the index in relation to its base period. The following example shows how index points and percent changes are computed.

### Index Point Change

Anchorage CPI, 2014.....215.805  
 Less CPI for previous period, Anchorage 2013.....212.381  
 Equals index point change.....3.4

### Percent Change

Index point difference.....3.4  
 Divided by the previous index.....212.381  
 Equals.....0.016  
 Results multiplied by 100.....0.016 x 100  
 Equals percent change, Anchorage CPI 2014.....1.6

### How much would \$1,000 in 2000 buy in 2014?

In Anchorage, it would be worth \$1,430. To find how to take a dollar amount from some earlier year and make it current with today’s dollar value, see [labor.alaska.gov/research/cpi/inflationcalc.htm](http://labor.alaska.gov/research/cpi/inflationcalc.htm) for an inflation calculator. The calculator can also deflate dollars to an earlier year’s value.

## 5

## Cities in Alaska More Expensive for Professional Households\*

COUNCIL FOR COMMUNITY AND ECONOMIC RESEARCH INDEX, FIRST QUARTER 2015

Region and city	Total index	Groceries	Housing	Utilities	Transport.	Medical	Misc.
<b>U.S. Average</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Alaska</b>							
Anchorage	132.9	122.6	163.0	109.4	124.0	137.8	121.2
Fairbanks	138.6	122.6	123.0	245.3	138.0	147.9	123.8
Juneau	135.2	125.3	152.6	142.1	155.3	149.1	112.3
Kodiak	141.2	142.6	157.1	140.7	166.6	137.2	117.4
<b>West</b>							
Portland, OR	128.5	116.3	166.1	88.5	111.4	113.8	122.2
Honolulu, HI	190.4	154.3	305.2	216.5	153.0	110.3	122.3
San Francisco, CA	173.2	124.1	314.6	108.4	130.8	119.3	114.9
Los Angeles/Long Beach	136.9	106.3	209.1	111.9	119.9	109.2	105.2
Las Vegas, NV	107.7	112.6	107.7	91.7	115.8	105.6	107.8
Reno, NV	103.1	109.6	92.0	96.2	106.0	101.1	111.5
Seattle, WA	133.1	119.5	182.1	99.3	118.9	118.6	114.3
Spokane, WA	91.7	91.8	87.4	80.9	93.3	114.0	95.3
Tacoma, WA	103.2	95.1	90.6	108.8	106.8	121.7	112.0
Boise, ID	90.8	88.5	82.8	85.8	91.6	105.6	98.2
Bozeman, MT	102.1	101.0	113.1	85.8	93.5	105.6	100.9
<b>Southwest/Mountain</b>							
Salt Lake, UT	97.6	94.9	93.9	93.8	106.4	91.2	100.7
Phoenix, AZ	93.6	100.5	92.0	92.5	93.5	97.2	91.9
Denver, CO	107.7	99.5	127.3	93.1	97.7	106.0	102.8
Dallas, TX	97.1	107.2	72.9	103.5	89.6	104.4	113.7
Houston, TX	98.0	86.0	107.5	93.8	89.1	91.1	100.6
<b>Midwest</b>							
Cleveland, OH	101.5	107.4	95.7	100.2	96.5	114.1	104.5
Chicago, IL	114.6	107.5	135.8	103.7	111.6	100.0	105.9
Minneapolis, MN	107.1	105.3	113.8	92.6	100.8	102.9	109.8
<b>Southeast</b>							
Fort Lauderdale, FL	114.9	101.5	147.7	97.4	117.6	99.2	98.8
Miami, FL	112.6	106.7	128.1	97.4	116.5	104.0	106.2
Birmingham, AL	91.7	102.2	81.0	92.9	89.1	80.9	98.6
Atlanta, GA	101.6	106.8	98.7	91.2	109.2	103.3	102.2
<b>Atlantic/New England</b>							
New York City: Manhattan, NY	223.7	120.7	445.4	133.4	138.3	117.1	150.6
Boston, MA	140.3	108.2	178.8	156.1	116.1	124.3	127.1
Philadelphia, PA	120.6	116.5	134.2	120.7	116.9	99.0	114.9

\*Comprises households with incomes in the top quartile

Note: Index numbers are a comparison to the average for all cities for which volunteers collected data.

Source: *The Council For Community And Economic Research*

# 6

## What Common Items Might Cost You

ALASKA CITIES VS. THE U.S. AVERAGE, 1ST QUARTER 2015

### Pound of Bananas



Anchorage	88¢
Fairbanks	90¢
Juneau	97¢
Kodiak	\$1.26

U.S. Average  
**59¢**

### Pound of Ground Beef



U.S. Average  
**\$4.48**

Anchorage	\$5.27
Fairbanks	\$5.71
Juneau	\$5.01
Kodiak	\$5.99

### Whole Milk, half gallon



U.S. Average  
**\$2.36**

Anchorage	\$2.37
Fairbanks	\$2.37
Juneau	\$2.52
Kodiak	\$2.69

### Pound of Coffee



U.S. Average  
**\$4.49**

Anchorage	\$5.87
Fairbanks	\$5.61
Juneau	\$5.85
Kodiak	\$6.09

### Dozen Eggs



U.S. Average  
**\$2.10**

Anchorage	\$2.71
Fairbanks	\$2.55
Juneau	\$2.28
Kodiak	\$2.94

### Health Care Exams

U.S. Average

Doctor  
**\$105.03**

Veterinarian  
**\$48.01**

Dentist  
**\$88.70**

Anchorage	\$169.40	\$59.05	\$127.80
Fairbanks	\$173.50	\$45.56	\$143.72
Juneau	\$172.75	\$62.75	\$151.00
Kodiak	\$167.50	\$76.00	\$122.67



Note: Grocery items are for the lowest-priced supermarket brand.  
Source: The Council For Community And Economic Research



# 7 The 10 States With Highest Living Costs 2014

		Index
	<b>U.S.</b>	<b>100.0</b>
1	Hawaii	164.0
2	Connecticut	145.2
3	New York	133.3
<b>4</b>	<b>Alaska</b>	<b>133.2</b>
5	California	128.7
6	New Jersey	126.7
7	Oregon	125.1
8	Massachusetts	123.5
9	Rhode Island	122.4
10	Vermont	119.0

Sources: Missouri Economic Research and Information Center; and The Council For Community And Economic Research

the “Quarter Pounder Index” in Exhibit 8.)

C2ER tracks and publishes costs for 59 items in grocery, housing, utility, transportation, health care, and miscellaneous categories, called the “market basket.” (See Exhibits 5 and 6.)

For the first quarter of 2015, Anchorage, Fairbanks, Juneau, and Kodiak prices remained well above the national average. The Anchorage index weighed in at 132.9, or 32.9 percent above the U.S. average of 100. Fairbanks registered 138.6, Juneau was 135.2, and Kodiak came in at 141.2.

Housing in Alaska wasn’t the only component that drove up total consumer costs, as all expenditures were above the U.S. average. For utility costs, Fairbanks ranked highest in the survey.

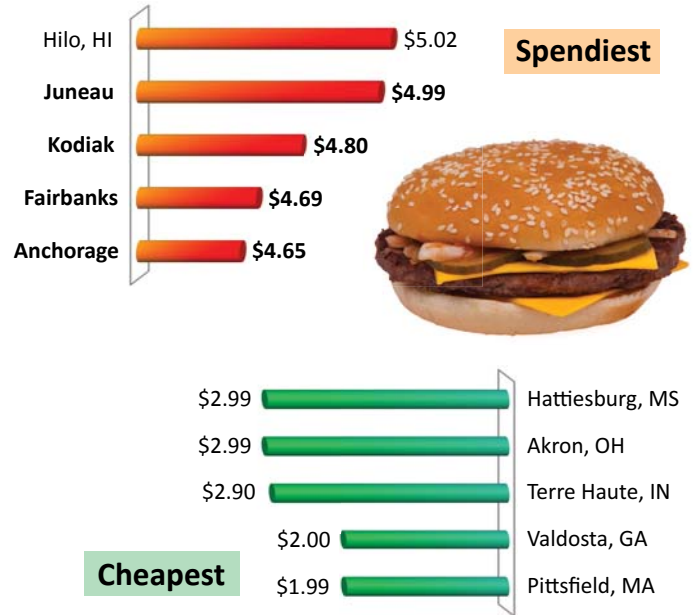
Still, 11 U.S. cities topped even Alaska’s most expensive city, which in early 2015 was Kodiak. Manhattan, part of New York City, was the most expensive at 223.7, followed by Honolulu, Hawaii, at 190.4. Other cities in New Jersey, New York, California, and Hawaii ranked higher than Alaska cities, and so did Washington, D.C. The C2ER also doesn’t address taxation, which is one area where Alaska’s cities would have a clear cost advantage over many others, as the state has no income tax and Anchorage and Fairbanks don’t have a sales tax.

## Alaska named the fourth most expensive state

Each year, the Missouri Economic Research and Infor-

# 8 The Quarter Pounder Index

ALASKA BURGERS AMONG THE SPENDIEST, 2015



Source: The Council For Community And Economic Research, first quarter 2015

mation Center publishes a cost of living series by state, based on the C2ER indexes. Without taking city sizes into account, they simply average the participating city values to compute a statewide index.

Based only on Anchorage, Juneau, Kodiak, and Fairbanks, Alaska registered 133.2 for 2014, making it the fourth most expensive state. (See Exhibit 7.) This measure is limited because these communities represent just 60 percent of Alaska’s population, but the results can still be useful.

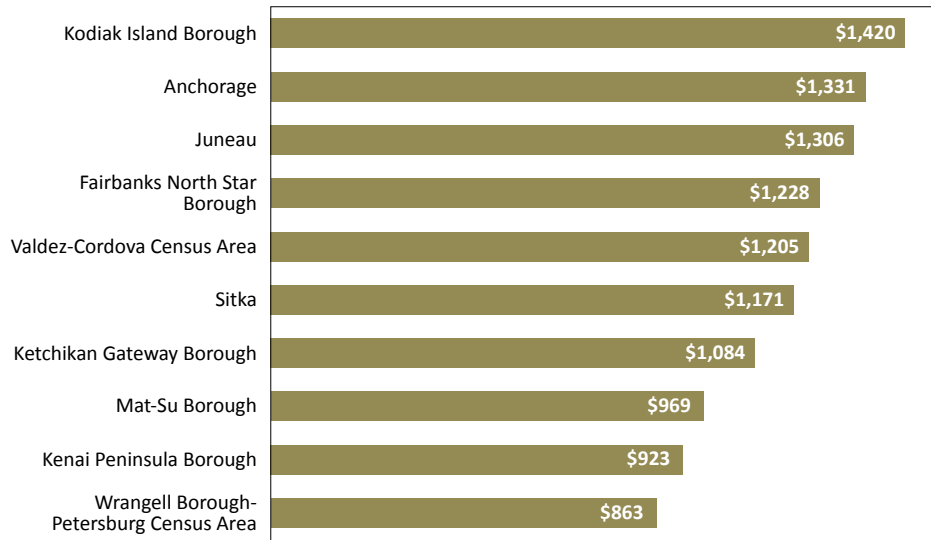
## Housing varies widely around Alaska

Because housing gobbles up such a large slice of a household’s income, it’s sometimes used as a proxy for the overall cost of living. The Alaska Housing Finance Corporation contracts with the Alaska Department of Labor and Workforce Development to collect housing data around the state. For a detailed analysis of Alaska’s housing costs, see the April 2014 issue of *Trends*.

Like food and fuel, housing can vary dramatically around the state based on supply, quality, vacancy rates, the local economy, building costs, and demographics. Rental and buying costs show some strong geographic similarities. (See exhibits 9 and 10.) For

# 9 Kodiak Has the Highest Rent

## TWO-BEDROOM APARTMENTS, 2014



Note: Includes the cost of utilities  
 Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

example, Anchorage, Kodiak, and Juneau rank high for both average rents and average home prices.

The department also establishes a housing affordability index for six areas. It takes housing prices into account and factors in the number of paychecks needed to buy one, using an area's average annual wage. (See Exhibit 11.)

Combining these factors shows that while the Matanuska-Susitna Borough has some of the lowest housing prices, purchasing a home there is less affordable for Mat-Su residents than for someone who works in Anchorage, where average wages are higher. Thirty percent of Mat-Su residents commute to Anchorage for work.

### Building supplies, shipping factor in to housing affordability

The results of our yearly residential construction cost survey also help explain the differences in housing affordability around the state. The survey's market basket includes about 30 percent of the supplies necessary to build the average home in a variety of Alaska communities. Exhibit 12 shows the costs of buying those supplies locally versus purchasing them in Seattle and having them shipped.

# 10 Anchorage Houses Cost the Most

## 2014

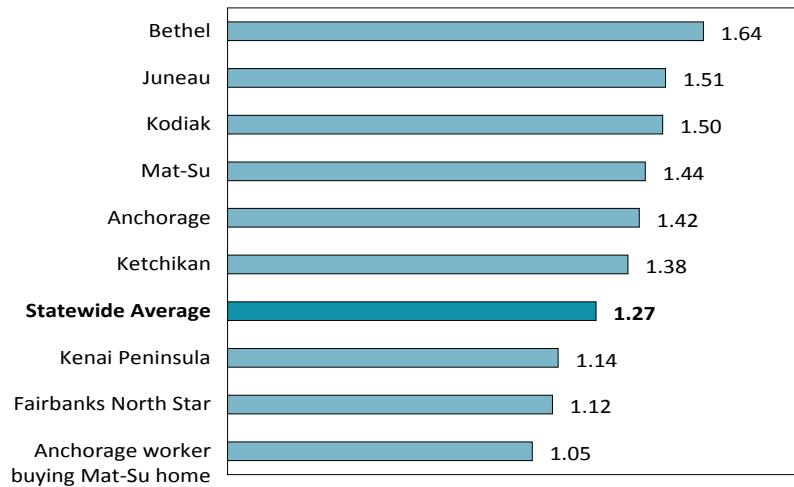
Anchorage	\$360,965
Juneau	\$352,614
<b>Statewide Average</b>	<b>\$306,042</b>
Kodiak Island	\$292,713
Bethel	\$281,324
Ketchikan Gateway	\$277,326
Mat-Su	\$256,295
Rest of State	\$254,187
Kenai Peninsula	\$246,948
Fairbanks North Star	\$245,657

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation

# 11

## Bethel Housing the Least Affordable

PAYCHECKS NECESSARY TO BUY AVERAGE HOUSE, 2014



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

# 12

## The Cost of Buying, Shipping Supplies

HOME CONSTRUCTION, 2015

Ship supplies from Seattle		Buy supplies locally	
Kodiak	\$35,659	Kodiak	\$30,826
Fairbanks	\$35,226	Ketchikan	\$29,218
Kenai	\$35,124	Kenai	\$29,018
Wasilla	\$34,047	Juneau	\$27,766
Anchorage	\$33,433	Wasilla	\$27,604
Sitka	\$33,125	Fairbanks	\$26,971
Juneau	\$29,403	Sitka	\$26,235
Ketchikan	\$27,502	Anchorage	\$23,405

Notes: These prices are for a sample of about 30 percent of the supplies needed to build the average home.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Though goods might be cheaper in Seattle, shipping them to farther north communities makes it more cost-effective to buy locally, even though the local supplies cost more. On the other hand, for Ketchikan, Alaska's closest community to Seattle, it's more affordable to have supplies shipped in.

## Our health insurance premiums the highest in U.S.

Exhibit 13 compares health care costs among states, and shows that in 2013, the most recent year available, the premium for family coverage in Alaska was 29 percent above the national average. This put Alaska in the top spot by a large margin. The state with the second-highest premiums, New York, came in at 1.09.

Alaska was No. 1 due to its higher hospital costs and margins, much higher physician reimbursements, and the higher costs of doing business in Alaska.

## Rural areas usually pay more for groceries and fuel

The Alaska Department of Commerce, Community, and Economic Development's semiannual Alaska Fuel Price Report compares energy costs in 100 communities. The areas with the highest fuel prices were wholly dependent on air transportation for supplies. (See Exhibit 14.) With few exceptions, the smaller and more remote



# 13 Alaska Health Insurance Premiums Highest

BY STATE, 2013

U.S. Average = 1.00			
<b>Alaska</b>	<b>1.29</b>	Vermont	1.02
New York	1.09	Delaware	1.00
Massachusetts	1.09	Rhode Island	1.00
New Jersey	1.09	Florida	1.00
Washington, D.C.	1.08	Texas	1.00
Wyoming	1.07	United States	1.00
West Virginia	1.07	Pennsylvania	1.00
New Hampshire	1.06	Ohio	1.00
Illinois	1.06	Virginia	0.99
Connecticut	1.05	Oregon	0.99
California	1.04	Maryland	0.99
Wisconsin	1.04		
Colorado	1.04		
Maine	1.02		

Source: Kaiser Family Foundation

towns pay significantly more for energy than more urban areas.

The cost of groceries for rural areas shows a similar pattern. Four times a year, the University of Alaska Fairbanks' Cooperative Extension Service publishes the results of its food cost surveys, which ask about the cost of food at home for a week for a family of four with children between the ages of 6 and 11. Its market basket includes items with minimum levels of nutrition at the lowest possible cost.

Dillingham and Nome topped the list for 2015, with grocery costs 198 percent and 160 percent higher than Anchorage, respectively. (See Exhibit 15.)

## An older study is still the most comprehensive

Although the 2008 Alaska Geographic Differential Study that was released in 2009 seems dated, it remains the most comprehensive intrastate cost-of-living study in recent years and is likely to remain useful for many years to come, as it covers all areas of the state in detail and is still used to geographically adjust salary levels for state workers.

The entire report is available on the Department of Administration's Web site: <http://doa.alaska.gov/dop/gds/home.html>.

Neal Fried is an economist in Anchorage. Reach him at (907) 269-4861 or [neal.fried@alaska.gov](mailto:neal.fried@alaska.gov).

# 14 Fuel Costs Per Gallon

RURAL AREAS HIGHEST, JAN 2015

	Heating Fuel, #1 Residential	Gasoline, Regular
Arctic Village	\$11.00	\$10.00
Wales	\$6.49	\$7.75
Galena	\$6.60	\$7.60
Alatna	\$7.00	\$7.50
Pilot Station	\$7.34	\$7.47
Holy Cross	\$7.15	\$7.35
Ruby	\$6.00	\$7.00
Deering	\$6.96	\$6.96
Hooper Bay	\$6.79	\$6.95
Dillingham	\$5.61	\$6.69
Bethel	\$6.68	\$6.68
Kotzebue	\$6.52	\$6.61
Nulato	\$5.55	\$6.10
Golovin	\$6.00	\$6.00
Huslia	\$7.00	\$6.00
Huslia	\$7.00	\$6.00
Chignik	\$4.39	\$5.22
Pelican	\$5.14	\$5.01
Eagle	\$5.00	\$5.00
Nuiqsut	Natural Gas	\$5.00
Angoon	\$5.10	\$4.99
Port Lions	\$5.05	\$4.85
Unalaska	\$4.68	\$4.80
Circle	\$3.69	\$4.75
King Cove	\$3.68	\$4.26
Juneau	\$4.05	\$3.88
Nenana	\$4.06	\$3.59
Homer	\$3.20	\$3.29
Fairbanks	\$3.05	\$3.07

Note: This is a partial list of the 100 communities surveyed.

Source: Department of Commerce, Community, and Economic Development, Current Community Conditions: Fuel Prices Across Alaska, January 2015 Update

# 15 Weekly Grocery Cost

FAMILY OF FOUR, BY TOWN, 2015

	Groceries for a week	Percent of Anchorage
Dillingham	\$355.14	198%
Nome	\$287.85	160%
Sitka	\$272.15	152%
Cordova	\$258.06	144%
Haines	\$226.54	126%
Delta	\$218.46	122%
Homer	\$217.31	121%
Kenai-Soldotna	\$199.93	111%
Ketchikan	\$194.15	108%
<b>Anchorage</b>	<b>\$179.39</b>	<b>100%</b>
Fairbanks	\$174.93	98%
Mat-Su	\$174.66	97%
Portland, OR	\$166.40	93%

Source: University of Alaska Fairbanks, Cooperative Extension Service

See "This Month in Trends History" on the next page for grocery prices in 1980 and 2000.

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**CITY OF KODIAK**

**ORDINANCE NUMBER \_\_\_\_\_**

**AN ORDINANCE OF THE KODIAK CITY COUNCIL AMENDING KODIAK MUNICIPAL CODE TITLE 8 ENTITLED “PUBLIC PEACE, SAFETY, AND MORALS” TO ADOPT KODIAK CITY CODE 8.40, “PROHIBITED ACTS REGARDING MARIJUANA,” TO PROHIBIT THE EXTRACTION OF TETRAHYDRO-CANNABINOL ("THC") OR ANY CANNABINOID BY USE OF MATERIALS OR METHODS DEEMED DANGEROUS TO PUBLIC HEALTH AND SAFETY, UNLESS OTHERWISE PERMITTED BY LAW**

**WHEREAS**, in 2014, Alaska voters approved a ballot measure legalizing personal recreational marijuana use and possession of marijuana and marijuana paraphernalia; and

**WHEREAS**, other jurisdictions that have legalized marijuana have experienced an increase in fires and explosions related to certain methods of manufacturing marijuana products, including the use of highly flammable materials and methods to extract THC oil from the marijuana plant, resulting in significant personal injury, death and property damage; and

**WHEREAS**, it is in the interest of the City of Kodiak and its residents to protect the public health and safety against known and unreasonable risks of certain manufacturing processes of a legalized marijuana industry.

**NOW, THEREFORE, BE IT ORDAINED** by the Council of the City of Kodiak, Alaska, as follows:

**Section 1:** Kodiak City Code 8.40.010, “Certain manufacturing processes prohibited,” is adopted to read as follows:

(a) It shall be unlawful for any person to: Manufacture a marijuana concentrate, hashish, or hash oil by use of solvents containing compressed flammable gases or through use of a solvent-based extraction method using a substance other than vegetable glycerin, unless the person is validly licensed and permitted in accordance with statute, regulation, or ordinance.

(b) Definitions. For purposes of this section.

1. "manufacture" means the preparation, compounding, conversion, or processing of marijuana, hashish, or hash oil, either directly or indirectly by extraction from substances of natural origin, independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis, and includes any packaging or repackaging of the marijuana, hashish, or hash oil, or labeling or relabeling of its container. It includes the organizing or supervising of

the manufacturing process. It does not include the legally authorized planting, growing, cultivating, or harvesting of a plant.

2. "marijuana concentrate" means any product which, through manufacture, contains tetrahydrocannabinol (THC). Common names and types of product include "shatter", butane or CO2 hash oil, "ring pots", butter, hash, hashish, keif, oil, or wax.

(c) Seizure. Any marijuana as defined in AS 17.38.900, equipment, material, product, package or container possessed, used or intended to be used, or produced in violation of this section may be seized and held as evidence to be used in any future proceeding and may be disposed of as appropriate after their use for evidentiary purposes is no longer required, including in accordance with chapter 18.30 of this code.

**Section 2:** This ordinance shall be effective upon the date that is one month after its final passage and publication in accordance with Kodiak Charter Section 2-13.

CITY OF KODIAK

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

First Reading:  
Second Reading:  
Effective Date:

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

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF KODIAK, ALASKA AMENDING KODIAK MUNICIPAL CODE TITLE 7 ENTITLED “HEALTH AND SANITATION” TO ADOPT CHAPTER 7.40 ENTITLED “MARIJUANA REGULATION,” AND DESIGNATING THE KODIAK CITY COUNCIL AS THE CITY’S LOCAL REGULATORY AUTHORITY ON MARIJUANA**

**WHEREAS**, the voters of Alaska approved Ballot Measure 2 on November 4, 2014; and

**WHEREAS**, Ballot Measure 2 provided for general legalization of marijuana and adopted a new chapter in the Alaska Statutes, which has been codified at Alaska Statute 17.38; and

**WHEREAS**, Alaska Statute 17.38.100(c) provides for the transfer of a portion of license application fees to the “local regulatory authority” in a municipality and thus it is in the City’s best interest to establish a “local regulatory authority” to ensure collection of any available fees; and

**WHEREAS**, the Kodiak City Council is hereby designated the “local regulatory authority” pursuant to Alaska Statute 17.38.100(c).

**NOW, THEREFORE, BE IT ORDAINED** by the Council of the City of Kodiak, Alaska, as follows:

**Section 1:** Section 7.40.010 Health and Sanitation, of the Kodiak City Code, is hereby amended to add a chapter designating the Kodiak City Council as the City’s local regulatory authority on marijuana as that term is used in Alaska Statutes Chapter 17.38 and any implementing legislation or rule-making.

**Section 2:** This ordinance shall be effective one month following final passage and publication in accordance with Kodiak Charter article II section 13.

CITY OF KODIAK

\_\_\_\_\_  
MAYOR

ATTEST:

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CITY CLERK

First Reading:

Second Reading:

Effective Date:

DRAFT





**U.S. Department of Justice**

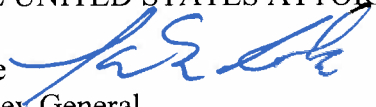
**Office of the Deputy Attorney General**

*The Deputy Attorney General*

*Washington, D.C. 20530*

February 14, 2014

**MEMORANDUM FOR ALL UNITED STATES ATTORNEYS**

**FROM:** James M. Cole   
Deputy Attorney General

**SUBJECT:** Guidance Regarding Marijuana Related Financial Crimes

On August 29, 2013, the Department issued guidance (August 29 guidance) to federal prosecutors concerning marijuana enforcement under the Controlled Substances Act (CSA). The August 29 guidance reiterated the Department's commitment to enforcing the CSA consistent with Congress' determination that marijuana is a dangerous drug that serves as a significant source of revenue to large-scale criminal enterprises, gangs, and cartels. In furtherance of that commitment, the August 29 guidance instructed Department attorneys and law enforcement to focus on the following eight priorities in enforcing the CSA against marijuana-related conduct:

- Preventing the distribution of marijuana to minors;
- Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs, and cartels;
- Preventing the diversion of marijuana from states where it is legal under state law in some form to other states;
- Preventing state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
- Preventing violence and the use of firearms in the cultivation and distribution of marijuana;
- Preventing drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;
- Preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and
- Preventing marijuana possession or use on federal property.

Under the August 29 guidance, whether marijuana-related conduct implicates one or more of these enforcement priorities should be the primary question in considering prosecution

under the CSA. Although the August 29 guidance was issued in response to recent marijuana legalization initiatives in certain states, it applies to all Department marijuana enforcement nationwide. The guidance, however, did not specifically address what, if any, impact it would have on certain financial crimes for which marijuana-related conduct is a predicate.

The provisions of the money laundering statutes, the unlicensed money remitter statute, and the Bank Secrecy Act (BSA) remain in effect with respect to marijuana-related conduct. Financial transactions involving proceeds generated by marijuana-related conduct can form the basis for prosecution under the money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money transmitter statute (18 U.S.C. § 1960), and the BSA. Sections 1956 and 1957 of Title 18 make it a criminal offense to engage in certain financial and monetary transactions with the proceeds of a “specified unlawful activity,” including proceeds from marijuana-related violations of the CSA. Transactions by or through a money transmitting business involving funds “derived from” marijuana-related conduct can also serve as a predicate for prosecution under 18 U.S.C. § 1960. Additionally, financial institutions that conduct transactions with money generated by marijuana-related conduct could face criminal liability under the BSA for, among other things, failing to identify or report financial transactions that involved the proceeds of marijuana-related violations of the CSA. *See, e.g.*, 31 U.S.C. § 5318(g). Notably for these purposes, prosecution under these offenses based on transactions involving marijuana proceeds does not require an underlying marijuana-related conviction under federal or state law.

As noted in the August 29 guidance, the Department is committed to using its limited investigative and prosecutorial resources to address the most significant marijuana-related cases in an effective and consistent way. Investigations and prosecutions of the offenses enumerated above based upon marijuana-related activity should be subject to the same consideration and prioritization. Therefore, in determining whether to charge individuals or institutions with any of these offenses based on marijuana-related violations of the CSA, prosecutors should apply the eight enforcement priorities described in the August 29 guidance and reiterated above.<sup>1</sup> For example, if a financial institution or individual provides banking services to a marijuana-related business knowing that the business is diverting marijuana from a state where marijuana sales are regulated to ones where such sales are illegal under state law, or is being used by a criminal organization to conduct financial transactions for its criminal goals, such as the concealment of funds derived from other illegal activity or the use of marijuana proceeds to support other illegal activity, prosecution for violations of 18 U.S.C. §§ 1956, 1957, 1960 or the BSA might be appropriate. Similarly, if the financial institution or individual is willfully blind to such activity by, for example, failing to conduct appropriate due diligence of the customers’ activities, such prosecution might be appropriate. Conversely, if a financial institution or individual offers

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<sup>1</sup> The Department of the Treasury’s Financial Crimes Enforcement Network (FinCEN) is issuing concurrent guidance to clarify BSA expectations for financial institutions seeking to provide services to marijuana-related businesses. The FinCEN guidance addresses the filing of Suspicious Activity Reports (SAR) with respect to marijuana-related businesses, and in particular the importance of considering the eight federal enforcement priorities mentioned above, as well as state law. As discussed in FinCEN’s guidance, a financial institution providing financial services to a marijuana-related business that it reasonably believes, based on its customer due diligence, does not implicate one of the federal enforcement priorities or violate state law, would file a “Marijuana Limited” SAR, which would include streamlined information. Conversely, a financial institution filing a SAR on a marijuana-related business it reasonably believes, based on its customer due diligence, implicates one of the federal priorities or violates state law, would be label the SAR “Marijuana Priority,” and the content of the SAR would include comprehensive details in accordance with existing regulations and guidance.

services to a marijuana-related business whose activities do not implicate any of the eight priority factors, prosecution for these offenses may not be appropriate.

The August 29 guidance rested on the expectation that states that have enacted laws authorizing marijuana-related conduct will implement clear, strong and effective regulatory and enforcement systems in order to minimize the threat posed to federal enforcement priorities. Consequently, financial institutions and individuals choosing to service marijuana-related businesses that are not compliant with such state regulatory and enforcement systems, or that operate in states lacking a clear and robust regulatory scheme, are more likely to risk entanglement with conduct that implicates the eight federal enforcement priorities.<sup>2</sup> In addition, because financial institutions are in a position to facilitate transactions by marijuana-related businesses that could implicate one or more of the priority factors, financial institutions must continue to apply appropriate risk-based anti-money laundering policies, procedures, and controls sufficient to address the risks posed by these customers, including by conducting customer due diligence designed to identify conduct that relates to any of the eight priority factors. Moreover, as the Department's and FinCEN's guidance are designed to complement each other, it is essential that financial institutions adhere to FinCEN's guidance.<sup>3</sup> Prosecutors should continue to review marijuana-related prosecutions on a case-by-case basis and weigh all available information and evidence in determining whether particular conduct falls within the identified priorities.

As with the Department's previous statements on this subject, this memorandum is intended solely as a guide to the exercise of investigative and prosecutorial discretion. This memorandum does not alter in any way the Department's authority to enforce federal law, including federal laws relating to marijuana, regardless of state law. Neither the guidance herein nor any state or local law provides a legal defense to a violation of federal law, including any civil or criminal violation of the CSA, the money laundering and unlicensed money transmitter statutes, or the BSA, including the obligation of financial institutions to conduct customer due diligence. Even in jurisdictions with strong and effective regulatory systems, evidence that particular conduct of a person or entity threatens federal priorities will subject that person or entity to federal enforcement action, based on the circumstances. This memorandum is not intended, does not, and may not be relied upon to create any rights, substantive or procedural, enforceable at law by any party in any matter civil or criminal. It applies prospectively to the exercise of prosecutorial discretion in future cases and does not provide defendants or subjects of enforcement action with a basis for reconsideration of any pending civil action or criminal prosecution. Finally, nothing herein precludes investigation or prosecution, even in the absence of any one of the factors listed above, in particular circumstances where investigation and prosecution otherwise serves an important federal interest.

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<sup>2</sup> For example, financial institutions should recognize that a marijuana-related business operating in a state that has not legalized marijuana would likely result in the proceeds going to a criminal organization.

<sup>3</sup> Under FinCEN's guidance, for instance, a marijuana-related business that is not appropriately licensed or is operating in violation of state law presents red flags that would justify the filing of a Marijuana Priority SAR.

**MEMORANDUM**

**TO: KODIAK CITY COUNCIL  
AIMEE KNIAKOWSKI  
DEBRA MARLAR**

**FROM: HOLLY C. WELLS  
AUTHORCLOSINGNAME**

**RE: THE CITY'S ROLE IN THE REVIEW OF MARIJUANA FACILITY LICENSE  
APPLICATIONS FILED WITH THE STATE OF ALASKA**

**CLIENT: CITY OF KODIAK**

**FILE NO.: 505786,86**

**DATE: APRIL 5, 2016**

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**Introduction**

On March 30, 2016, the City of Kodiak ("City") Clerk's office received its first marijuana facility application that had been submitted by the applicant to the State of Alaska Marijuana Control Board ("MCB"). Upon receipt, the City Clerk contacted me to determine the City's role in the application review process. Accordingly, this memorandum provides a brief summary of the City's ability to make recommendations to the MCB regarding specific applications and the process for submitting such recommendations.

**The City's Role in the State Marijuana Facility License Application Process**

The State of Alaska has developed a comprehensive application process for obtaining a marijuana facility license. Under this process, an applicant must electronically submit an application with the State and provide notice of its application in numerous ways, including posting a copy of the application for ten days at the location of the proposed licensed premises and one other conspicuous location in the area of the proposed premises. 3 AAC 306.025. Additionally, the applicant must make an announcement in a newspaper in general circulation in the area of the proposed premises. 3 AAC 306.025.

In addition to providing notice of the application to the public, the applicant must also submit a copy of the application on a form proscribed by the board to the local government and any community council in the area of the proposed licensed premises. 3 AAC 306.025(b)(3)(A). Once these notice requirements have been met, the applicant then uses the electronic filing system to notify the MCB that a complete application has been submitted.

Once the MCB director determines that the application is complete, the MCB Director will provide written notice to the applicant and to the City that a complete application has been received. 3 AAC 306.025(d).

At the notice stage, the City does not have an obligation to acknowledge receipt of an application or to correspond with the applicant. Similarly, the City need not comment on the substance of an application at this stage.

If, however, the City does want to protest an application, it may do so by sending a written protest to the MCB Director and the applicant stating the reasons for the protest. 3 AAC 306.060(a). A protest by the City must be submitted no later than 60 days after the City receives notice from the MCB that the application is complete. 3 AAC 306.060(a). Any properly submitted protest by the City will result in the denial of the application at issue so long as the MCB does not find the City's reasons for protest arbitrary, capricious, and unreasonable. 3 AAC 306.060(a).

The City may also recommend the MCB approve an application or recommend conditions for approval. The MCB will adopt conditions recommended by the City so long as those conditions are not arbitrary, capricious, and unreasonable. 3 AAC 306.060(b).

In addition to the City's ability to influence the approval or denial of a license, the City may also report violations by a licensee of current state or local law. Once again, unless the City is acting arbitrary, capricious, and unreasonable, the MCB will take steps to enforce the City's complaint and suspend or revoke the applicant's license. See 3 AAC 306.820. Prior to the suspension or revocation of a license, the marijuana establishment is entitled to a hearing. The City's role in such hearing is unclear at this time.

### **Recommended City Action on State Applications**

Currently, the City has no affirmative duty to comment on State marijuana license applications for facilities within the City. However, in order to avoid confusion as applicants submit their applications to the City in compliance with notice requirements,

I would recommend an email or quick form response, stating that the City has received the application and the date of receipt.

Once the City has received notice of an application from the MCB, the City must then decide whether or not it intends to support or oppose the application. The City may choose to abstain from participation in this process. Alternatively, the City may choose to adopt a procedure for reviewing applications and making recommendations to the MCB regarding such applications. Regardless of the direction ultimately adopted by the City, a discussion regarding the preference of the Council and the City administration should be a priority in the upcoming months.

### **Conclusion**

The State of Alaska has given the City the tools needed to actively participate in the State marijuana license application process and directly affect the approval or denial of an application, or even the conditions under which an application is approved. However, the State has also adopted regulations that permit the City to remain silent during the license application process. Consequently, I recommend the City Council and the administration consider adopting a procedure in which a designated City body, department or individual employee reviews applications and a body, department or individual is authorized to respond to an application. Although the City may choose to remain silent on most applications, having a procedure in place will allow it to quickly and efficiently respond where an application may have a particularly negative, or positive, impact on the City.

# EIGHT IS ENOUGH?

The United States Department of Justice, Office of Deputy Attorney General, has identified eight priorities that every municipality should adopt when regulating marijuana. These eight priorities are:

1. PREVENTING THE DISTRIBUTION OF MARIJUANA TO MINORS
2. PREVENTING REVENUE FROM THE SALE OF MARIJUANA FROM GOING TO CRIMINAL ENTERPRISES, GANGS, AND CARTELS
3. PREVENTING THE DIVERSION OF MARIJUANA FROM STATES WHERE IT IS LEGAL UNDER STATE LAW IN SOME FORM TO OTHER STATES
4. PREVENTING STATE-AUTHORIZED MARIJUANA ACTIVITY FROM BEING USED AS A COVER OR PRETEXT FOR THE TRAFFICKING OF OTHER ILLEGAL DRUGS OR OTHER ILLEGAL ACTIVITY
5. PREVENTING VIOLENCE AND THE USE OF FIREARMS IN THE CULTIVATION AND DISTRIBUTION OF MARIJUANA
6. PREVENTING DRUGGED DRIVING AND THE EXACERBATION OF OTHER ADVERSE PUBLIC HEALTH CONSEQUENCES ASSOCIATED WITH MARIJUANA USE
7. PREVENTING THE GROWING OF MARIJUANA ON PUBLIC LANDS AND THE ATTENDANT PUBLIC SAFETY AND ENVIRONMENTAL DANGERS POSED BY MARIJUANA PRODUCTION ON PUBLIC LANDS
8. PREVENTING MARIJUANA POSSESSION OR USE ON FEDERAL PROPERTY

## Department of Commerce, Community, and Economic Development Alcohol & Marijuana Control Office

State of Alaska > Commerce > Alcohol & Marijuana Control Office > Marijuana Initiative FAQs

### ALCOHOL & MARIJUANA CONTROL OFFICE

#### MARIJUANA INITIATIVE FAQs

Many Alaskans have questions regarding AS 17.38, the act to tax and regulate the production, sale, and use of n ("proposition 2" or ballot measure 2"). The Department of Commerce, Community and Economic Development cre frequently asked questions. [Register](#) to receive notification when new FAQs are added.

#### What is AS 17.38?

AS 17.38 was passed by citizen's initiative on the November 4, 2014 ballot. The initiative directs the Alcoholic Be entity if the Legislature chooses to create one) to adopt regulations governing marijuana-related entities and then The ABC Board has nine months from the effective date, which is 90 days after certification of the act by the elec regulations. The ABC Board will follow the intent of the initiative and state requirements for the development of n

#### MARIJUANA ESTABLISHMENT LICENSE QUESTIONS:

##### ▼ Now that the effective date has passed, can I sell or buy marijuana legally?

No. No marijuana establishment licenses have been issued at this time. The marijuana retail store regulation marijuana and marijuana products that have been grown in a licensed marijuana cultivation facility or produc manufacturing facility. The Marijuana Control Board anticipates beginning to issue cultivation and testing lice and product manufacturing licenses in September, 2016.

Only after retail marijuana stores are licensed and have legal products on their shelves will you be able to leg products. Only licensed marijuana establishments will be able to sell marijuana or marijuana products. Buyin license is illegal and could be prosecuted as a crime. .

##### ▼ I want to apply for a license. What is the first thing I must do?

Secure a location. All licenses are premises based, meaning that the first question to answer is where the lic Applicants must demonstrate a right of possession to the property. You must submit a lease or rental agreem

Zoning is a local issue, other than the buffer zones set out in 3 AAC 306.010. The Marijuana Control Board v a physical place where the license type is allowed by the local government. The Alcohol and Marijuana Cont applicant if the address chosen is locally zoned in such a way that a commercial marijuana establishment wc contact your local government. .

##### ▼ What types of licenses will be available and when will they be issued?

The regulations in 3 AAC 306 provide for six types of marijuana establishment licenses:

- Retail Marijuana Store
- Standard Cultivation Facility
- Limited Cultivation Facility
- Marijuana Product Manufacturing Facility
- Marijuana Concentrate Manufacturing Facility



- Testing Facility

License applications will be taken before the board within 90 days of receipt of a completed application, as o  
 The exact date of license issuance is dependent upon several factors including the 1) type of license applied  
 governments, and 3) the implementation of the marijuana inventory tracking system.

1. Type of license and completed application –AS 17.38.100(b) calls for the board to begin accepting and pi  
 the effective date of the act; therefore, applications will be accepted beginning on February 24, 2016. The  
 license within 90 days after a completed application is received. The Marijuana Control Board will issue t  
 licenses first, with retail store and product manufacturing facility licenses to follow. This sequential issuing  
 latter license types can have legally grown and tracked marijuana in their inventory before opening for bu
2. Response time from local governments – After the director of the Alcohol and Marijuana Control Office de  
 staff will transmit the application to the local government with jurisdiction over the proposed licensed pren  
 days from the date of receipt of the notice of the application to file a protest to the application or waive its  
 received, the Marijuana Control Board will consider the application and protest at its next meeting.
3. Marijuana inventory tracking system – All marijuana license types will be required to use the State of Alas  
 tracking system to assure that marijuana sold in licensed retail stores was grown, produced and tested by  
 will not issue any licenses before the marijuana inventory tracking system is implemented; the anticipat  
 2016.

▼ **Can I own more than one license?**

Yes, with one exception—testing facility licenses are independent of all other license types. According to 3 A  
 testing facility may not have any licensee, employee, or agent who holds any type of marijuana establishmer  
 license.

▼ **Can I get a delivery license?**

No. No. Delivering marijuana to consumers is not permitted under AS 17.38 or 3 AAC 306. .

▼ **Can I get a dispensary license?**

No. The term "dispensary" is used in other legalized marijuana states but does not appear in AS 17.38 or 3 A  
 marijuana stores.

▼ **How many licenses will the MCB issue?**

The Marijuana Control Board is not limited in the number of marijuana licenses it can issue at the state level.  
 that local governments can restrict the time, place, manner and number of marijuana licenses. Check with yc  
 a local limit on licenses.

▼ **What is the deadline to apply for a license?**

There is no deadline to apply. The Marijuana Control Board will continue to accept applications year round a  
 licenses at its regularly scheduled meetings throughout the year. .

▼ **I don't have internet access. How do I apply on a paper form?**

By regulation 3 AAC 306.020, applications must be initiated electronically in order for applicants to demonst  
 submit data/documents electronically. You cannot participate in the commercial marijuana industry in Alaska  
 internet access. All marijuana licensees are required to use the statewide marijuana inventory tracking syste  
 stable internet connection and basic computer literacy. The application is initiated electronically so applican  
 they have the technological resources to enter the industry at this time.

**▼ Why do I have to initiate my application online?**

By regulation 3 AAC 306.020, applications must be initiated electronically in order for applicants to demonstrate to the board that they have the technological resources to enter the industry at this time. All marijuana licensees are required to use the statewide marijuana information system, which is an electronic and requires a stable internet connection and basic computer literacy. The application is initiated electronically and requires a stable internet connection and basic computer literacy. The application is initiated electronically and requires a stable internet connection and basic computer literacy. The application is initiated electronically and requires a stable internet connection and basic computer literacy.

**▼ What if I need help with the application?**

The Alcohol and Marijuana Control Office will provide a detailed set of instructions for the application process available on the website on February 24, 2016. .

**▼ I just need the short version, can you please just tell me what to do to get a license?**

It is very important to read and understand the regulations. For those who have questions after reading the regulations, reviewing the instructions and watching the training video, the Alcohol and Marijuana Control Office has appointments and walk-ins with questions; the hours will be published on the AMCO website as they are scheduled.

AMCO has a small staff serving a large number of people involved in both the alcoholic beverage and marijuana industry. If you have not read the regulations when you meet with staff, you will lose your appointment until you have read the regulations.

**▼ What can I do now, since I cannot apply for a license yet?**

Prepare to submit your application—

1) Read 3 AAC 306 articles 1, 7, 8, 9 and the specific article(s) that pertains to the type of license(s) you plan to apply for. When you apply for a license, you are stating that you have read and understand all of the marijuana regulations, and are prepared to comply with them.

2) Work on your operating plan. All license types are required to submit an operating plan with their application. The requirements for operating plans are set forth in 3 AAC 306.020(c). You can begin drafting your operating plan based on the information in the regulations. .

**▼ Are cultivation and testing facilities expected to be 100% ready when we apply for license, or will we have time to fix them before 24 and June 9, when cultivation facility and testing licenses are expected to be issued?**

Because the board must approve or deny your application within 90 days from the date your application is denied, applicants should not initiate your application until you are approximately 90 days from being ready to operate your premises. Facility construction schedules are often optimistic. The applicant must ensure that their finished facility matches what is laid out in the regulations. The facility will undergo a preliminary inspection before operations begin.

Because all licenses are premises based, applicants are required to secure a location before applying and receiving a license. Possession of the property is required. You do not have to own it but you must submit a lease or rental agreement if you do not own the property.

**▼ Can I take cuttings or clones from my personal use grow for commercial use when my cultivation facility license is issued?**

It's expected that cultivators will either start their plants from seeds or from cuttings only after receiving a license from the Board. The regulations require that all cuttings that are 8" tall and present on the licensed premises on the date of issuance be entered into the marijuana inventory tracking system. After the initial inventory is established, the regulations prohibit marijuana grown outside the licensed premises being entered into the tracking system.

**▼ Is the Alcohol and Marijuana Control Office keeping a list of individuals or businesses interested in starting a marijuana business?**

The Alcohol and Marijuana Control Office will begin accepting applications for licenses on February 24, 2016.

individuals/businesses is being kept by the office.

▼ **Where can I get the license application forms? I looked all over your website and can't find them.**

The Marijuana Control Board reviewed application forms at its February 11, 2016 meeting. The finalized form February 24, 2016.

▼ **Has anyone had access to the forms ahead of the 2/24 application date?**

No. The forms were approved by the board at its meeting on 02/11/16. The forms have not been released all board's packet for the meeting. The board changed a few of the forms so no one should attempt to complete available on 02/24/16.

▼ **I would like to run my business idea by you and see if you think it will be good enough. How do I do that?**

The AMCO staff cannot answer hypothetical questions or give advice about how the board will respond to a application is structured in a way that requires an applicant to outline its operating plan and for the board to r or deny the license. AMCO staff is not authorized to tell any applicant that their plan is "good enough" to pas questions will be referred to the pertinent regulations and the applicant must take on the responsibility of arti regulations to the board.

## PERSONAL USE QUESTIONS:

▼ **Since the effective date has passed, where can I legally buy marijuana?**

Nowhere. The Marijuana Control Board will begin issuing cultivation and testing licenses in approximately Ju Store regulations state that stores may only sell marijuana and marijuana products that have been grown in : facility or produced in a licensed marijuana product manufacturing facility.

Until those other facility types are licensed and begin producing legal marijuana and marijuana products, the licenses. Until Retail Marijuana Stores are licensed and have legal products on their shelves, buying or sellin illegal and could be filed and prosecuted as a crime.

▼ **Will it continue to be a criminal offense for persons under 21 years of age to possess any amount of marijuana?**

Yes. AS 17.38.010 made the use of marijuana legal only for persons 21 years of age or older.

▼ **AS 17.38.040 bans public consumption. How is "public" defined?**

Based on the emergency regulation filed by Lieutenant Governor Byron Mallott on February 24, 2015, in AS place to which the public or a substantial group of persons has access and includes highways, transportati amusement or business, parks, playgrounds, prisons, and hallways, lobbies, and other portions of apartmen rooms or apartments designed for actual residence. On November 20, 2015, the Marijuana Control Board ar marijuana retail stores that have a consumption endorsement issued by the board. No such endorsements h continues to be a violation of AS 17.38.040 to consume marijuana in a public place, including unlicensed, un

▼ **How much harvested marijuana does AS 17.38 allow an unlicensed person to possess in his or her home?**

AS 17.38.020 allows for the in-home production and possession of marijuana for personal use. AS 17.38.021 marijuana harvested from up to six plants (three or fewer being mature, flowering plants) on the premises wh statute does not specify a limit on the amount of harvested marijuana that may be possessed.

▼ **If multiple people live in a single residence, can they combine personal-use plant and/or harvested-marijuana limit: the legal limit for the residence?**

AS 17.38.020 allows for the in-home production and possession of marijuana for personal use. That statute of 21 may grow up to six plants, up to three of which may be flowering, in their home. The statute is silent on the number of plants that may be grown when more than one adult resides there. There is legislation this plant per household limit. The Marijuana Control Board has clarified through definitions that personal grows circumvent licensure requirements. See 3 AAC 306.990.

▼ **Can a person legally possess more than four ounces of harvested marijuana by establishing an unlicensed cooper acting as a proxy for another person?**

No.

▼ **How does AS 17.38 change the legality of operating a motor vehicle while under the influence of marijuana?**

Marijuana continues to be a controlled substance in Title 11 even after the effective date of AS 17.38. It is a crime to operate a motor vehicle while under the influence of any controlled substance, inhalant, alcoholic beverage, or any other substance. It is a crime to drive a motor vehicle while impaired.

▼ **Do persons registered in the Alaska Medical Registry Program as set forth in AS 17.37 receive any benefit or protection under AS 17.38.020?**

No. Nothing in AS 17.38 changed any privileges and prohibitions related to medical cards issued per AS 17.37.

▼ **Can a property owner ban someone from possessing, growing or consuming marijuana on his/her private property?**

Yes. AS 17.38.120(d) states that a person, employer, school, hospital, recreation or youth center, correctional institution, or other entity who occupies, owns or controls private property may prohibit or otherwise regulate the possession, consumption, distribution, sale, transportation or growing of marijuana on or in that property.

## FINANCING QUESTIONS:

▼ **I am hoping to start a marijuana business. What do I need to know about raising capital for my business?**

Seeking investors for your business may involve state and federal securities laws. Before offering securities, you should consult a professional who is knowledgeable about securities laws and regulations and consult a professional who is knowledgeable about securities transaction meeting certain securities law requirements, you may not advertise to find investors. This prohibition includes your own website, Facebook, Twitter, and Craigslist.

Offering a security may involve legal and financial consequences that can result in civil liability and money damages. Contact the Division of Banking and Securities at (907) 269-8140 or (888) 925-2521 or visit the [Division](#) website for more information.

## LOCAL OPTION QUESTIONS:

▼ **Will individual communities be able to opt out of allowing commercial marijuana establishments?**

Yes. AS 17.38 and 3 AAC 306.200 provide that local governments as defined in AS 17.38.900 can opt out of allowing commercial marijuana establishments by ordinance or petition election. Local government officials interested in the opt-out process should consult the regulations.

▼ **Do you maintain a list of communities that have already opted out?**

No. At this time, local governments are not required to report to the Alcohol and Marijuana Control Office (AMCO) a list of communities that have opted out of allowing commercial marijuana establishments by ordinance or petition election. AMCO is attempting to obtain assistance from local governments to obtain this information. Check back on this question in the future for updates.

▼ **Do you maintain a list of municipal zoning ordinances or other local government ordinances related to marijuana?**

No. Again, there is no obligation on the part of local governments to report this information to the Alcohol and

▼ **I want to open a marijuana business at 123 Sally Street in Medium City, Alaska. Can you tell me if this location will v**

The Alcohol and Marijuana Control Office cannot advise any potential applicant if the address chosen is local commercial marijuana establishment would be permitted in that location. This is a question for your local gov

▼ **The 500 foot buffer zone blocks off the location I want to use for a marijuana licensed premises. Can my local govern**  
**Marijuana Control Board to allow it?**

No. The 500 foot buffer zone is the inside limit for the proximity of a marijuana licensed establishment to a school building where religious services are held, or correctional facility. Please read 3 AAC 306.010(a) to determine if the 500 foot distance represents the State of Alaska's Drug Free School Zone.

## REGULATORY QUESTIONS:

▼ **Who wrote the regulations in 3 AAC 306?**

The contract attorney, Alcohol and Marijuana Control Office staff, the Marijuana Control Board, the Department of Law, and the final regulatory product together.

The Alcohol and Marijuana Control Office retained Virginia Rusch, a contract attorney who specializes in writing regulations for the Alaska Attorney General's Office in the Regulations Section for many years. Ms. Rusch and AMCO staff drafted regulations for the Marijuana Control Board (MCB); prior to the MCB members being seated on July 2, 2015, draft regulations were reviewed by the Beverage Control Board as outlined in 17.38.080. The board put sections of regulations out for public comment, received, and made many changes to the regulations during 14 separate board meetings in 2015. Once the Department of Law reviewed the regulations and recommended technical changes. Lieutenant Governor Byron King signed the regulations on January 22, 2016 with an effective date of February 21, 2016.

▼ **Where can I get a copy of the marijuana regulations?**

You may download and save the final regulations as amended and adopted by the Marijuana Control Board. If you choose to print the regulations you may want to consider printing two pages on one sheet of paper, i.e., double properties screen.

▼ **The location of the premises I am considering is near a park. Is that allowed?**

The only location rules defined by the State of Alaska are the buffer zones set out in 3 AAC 306.010(a), which prohibit a license from being issued within 500 feet of a school, recreation or youth center (defined in 3 AAC 306.900(c) as a facility where services are regularly conducted, or a correctional facility. Please see the regulation for instructions regarding buffer zones. Other zoning issues are locally established; contact your local government to inquire about zoning restrictions.

▼ **Can I lease some warehouse space and tend to my friend's personal use grows?**

No. AS 17.38.020 only permits adults over the age of 21 to possess one ounce and grow 6 plants, with three permits adults to keep the harvest of their personal use plants on the premises where the plants were grown. They may give less of marijuana and give an ounce or less to someone else. You cannot buy or sell your personal use marijuana to others to make what looks like a commercial grow operation.

▼ **Do the existing regulations allow a home-rule municipality to protest the issuance of a marijuana license? Also, do municipalities from charging a permit fee to operate marijuana facilities in city limits?**

A home rule municipality is included in the definition of local government. Local governments have a right of governments can tax marijuana or charge fees for municipal licenses or permits.

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