

**KETCHIKAN GATEWAY BOROUGH
CITY OF KETCHIKAN*****Cooperative Relations Committee Meeting***

March 23, 2023

Assembly Chambers, White Cliff

Call to Order

The meeting was called to order by Member Pierce at 12:00 p.m.

Present at the meeting:

City of Ketchikan

Member Bradberry

Member Gass

Member Kistler

Manager Walsh

Assistant Manager Simpson

Finance Director Johannsen

Ketchikan Gateway Borough

Member Pierce

Member Bynum

Member Palmer

Manager Duran

Finance Director Thomas

Assistant Manager Gubatayao

Attorney Brown

Clerk Paxton

Citizen Comments

Mary Stephenson, resident, commented that the City was working on a transportation plan and the Borough was working on a tourism strategy and a transportation plan. She recommended collaboration between the City and Borough.

Organizational Business – Appointment of Co-Chairs

M/S BYNUM/PALMER to appoint Assembly Member Pierce as Co-Chair for the Borough.

MOTION ADOPTED BY UNANIMOUS CONSENT

Member Gass nominated Council Member Bradberry as Co-Chair for the City.

ADOPTED BY UNANIMOUS CONSENT

Reports of Officers or Staff

There were no reports given.

Unfinished Business

There was no unfinished business.

New Business

Single Unit Sales Tax Cap

Borough Manager Duran reported at its January policy session the Assembly directed staff to draft an ordinance to increase the sales tax cap from \$2,000 to \$4,000, which was then introduced by the Assembly on March 20, 2023, and set for public hearing on April 3, 2023.

City Manager Walsh commented the City desired to be consistent with the Borough with the sales tax cap rate.

Borough Finance Director Thomas distributed spreadsheets with data on sales over the \$1,000 and \$2,000 cap levels and provided a summary to the committee.

In response to Member Bradberry, City Manager Walsh said if the tax cap were increased the proposed amount, the City estimated around \$256,000 in additional revenue for the next fiscal year.

Member Gass spoke in opposition to the proposal, noting it would not have a large economic impact.

Member Kistler opined the increase of the cap to \$4000 would likely not impact lower income families but said the \$1,000 cap on residential rent was unfair and hurt low income families. She suggested reducing or exempting the cap for residential rent or increasing the cap for everything across the board.

City Manager Walsh explained the council would consider a similar ordinance on April 6, 2023, and that staff recommended the increase as a way to offset the lost revenue from the reduction of the City sales tax rate on residential rent. She clarified the City ordinance would mirror the Borough ordinance and would retain the single unit cap for residential rent at \$1,000.

In response to Member Gass, City Finance Director Johannsen explained the City's seasonal sales tax was implemented to fund the costs of labor contracts.

A discussion was held regarding placing an exemption on groceries or WIC-related items. Member Kistler suggested incremental increase in sales tax cap and incremental reduction to tax on groceries.

Chair Pierce characterized the single unit sales tax cap as a courtesy to the public, and a detriment to the revenue stream for government.

Member Palmer spoke in support of the sales tax cap increase to \$4,000, noting the level was still attractive. She reported hearing from Sitka residents who made large item purchases in Ketchikan.

Members Bradberry and Kistler requested the Assembly to postpone final adoption of its ordinance to the second meeting of April to allow time for the City Council to hold a first reading on the ordinance.

Other Sales Tax Issues of Mutual Concern

Member Bynum noted the importance of having uniformity of taxes between the City and Borough. Chair Pierce suggested an Assembly work session on the topic. Member Bradberry suggested the topic be postponed to the next committee meeting.

Request to Implement a Local Business License

Member Bradberry reported the desire for the City of Ketchikan to implement a business license stemmed from a lack of information on new businesses which resulted in lack of compliance with the City fire code. Manager Duran reported the Borough was not interested in pursuing a Borough business license as it would require adoption of a fire code and building code, but that the Borough had no objection to the City implementing a license.

After a discussion, Manager Duran indicated the Borough could provide information to the City regarding data collected by the Borough related to short-term rentals.

Review of Issue List and Selection of Topics for Discussion at Next Meeting/Confirmation of Next Meeting Date and Location

The following topics were scheduled for the upcoming committee meeting(s):

- Uniformity of tax rates and exemptions
- Coordinated Borough and City grant process

Members requested that only one topic be scheduled per meeting. The next meeting would be hosted by the City of Ketchikan and held at City Hall.

Committee Member Comments

Member Kistler voiced appreciation for the committee process.

Member Gass encouraged solutions without increasing taxes and rates.

Member Bradberry thanked staff for their hard work.

Member Bynum thanked staff and highlighted the value of the committee process.

Member Palmer noted the important work of the committee. She suggested the committee be amended to include members from the City of Saxman.

Chair Pierce thanked the committee for the robust conversation and thanked staff for its collaboration.

Adjourn

The meeting adjourned at 1:13 p.m.