

**I. CALL TO ORDER**

The special meeting of the Matanuska-Susitna Borough Assembly was held on June 23, 2005, at the Borough Assembly Chambers, 350 E. Dahlia Avenue, Palmer, Alaska. The meeting was called to order at 6:30 p.m. by Mayor Timothy L. Anderson for the purpose of holding a public hearing on Ordinance Serial Nos. 05-065 and 05-066, regarding a uniform sales tax, and Ordinance Serial Nos. 05-069 and 05-067, regarding a severance tax on natural resources.

**II. ROLL CALL**

Assembly members present and establishing a quorum were:

Ms. Lynne Woods, Assembly District No. 1  
Mr. Bill Allen, Assembly District No. 2 (*arrived at 7 p.m. via teleconference*)  
Mr. Talis J. Colberg, Assembly District No. 3  
Ms. Mary Kvalheim, Assembly District No. 4  
Ms. Jody Simpson, Assembly District No. 5  
Ms. Betty Vehrs, Assembly District No. 7

Assembly members absent and excused were:

Mr. Jim Colver, Assembly District No. 6 (*Deputy Mayor*)

Staff in attendance were:

Mr. John Duffy, Borough Manager  
Ms. Michelle M. McGehee, CMC, Borough Clerk  
Ms. Teresa S. Williams, Borough Attorney  
Ms. Marian Romano, Assistant Borough Manager  
Ms. Cheyenne Heindel, Revenue and Budget Manager  
Mr. Ron Swanson, Community Development Director  
Mr. Dennis Brodigan, Emergency Services Director

**III. APPROVAL OF AGENDA**

Mayor Anderson inquired if there were any changes to the agenda.

GENERAL CONSENT: The agenda was approved as presented without objection.

**IV. PLEDGE OF ALLEGIANCE**

The Pledge of Allegiance was led by Ms. Sullivan, a member of the audience.

*(The special meeting recessed at 6:37 p.m. and reconvened at 7 p.m.)*

**V. SPECIAL ORDERS (to begin at 7 p.m.)**

**A. PUBLIC HEARINGS (Three minutes per person.)**

1. Ordinance Serial No. 05-065: AN ORDINANCE AUTHORIZING THE MATANUSKA-SUSITNA BOROUGH TO LEVY A SALES TAX NOT EXCEEDING 2 PERCENT OF SALES, SERVICES, AND RENTALS WITHIN THE BOROUGH, AND TO SUBMIT THE QUESTION OF THE LEVYING OF THE SALES TAX TO THE QUALIFIED VOTERS OF THE BOROUGH AT THE OCTOBER 4, 2005, REGULAR BOROUGH ELECTION.
  - a. Ordinance Serial No. 05-066: AN ORDINANCE ADOPTING MSB 3.35, A UNIFORM SALES TAX.
    - (1) IM No. 05-113

Mr. Duffy:

- reported that the 2 percent sales tax is expected to generate a minimum of \$11 million in revenue;
- stated that as proposed, the funds would be used to reduce the property tax; and
- noted that the cost of implementing the sales tax is approximately \$200,000 to \$275,000 per year.

Assemblymember Simpson inquired how the sales tax revenue would be used to decrease the property taxes.

Mr. Duffy replied that the Assembly would have to adopt an ordinance appropriating the funds during the budget in order to decrease the property taxes.

Mayor Anderson opened the public hearing.

The following persons spoke in opposition to Ordinance Serial Nos. 05-065 and 05-066: Mr. James Garhart, Mr. Pio Cottini, Mr. Steve Miller, and Mr. Scott Perlle.

There being no others present who wished to testify, the public hearing closed and discussion moved to the Assembly.

**MOTION:** Assemblymember Vehrs moved to adopt Ordinance Serial Nos. 05-065 and 05-066.

Mayor Anderson inquired what percentage of sale tax would be needed to eliminate the property tax.

Mr. Duffy noted that a 10 percent sales tax would be needed for areawide and that the total would be approximately 20 percent.

Assemblymember Vehrs inquired regarding the city of Wasilla's language for the sales tax and property taxes.

Mayor Anderson noted that the city of Wasilla's is worded in such a way that if the property tax exceeded 2 mills, the sales tax would be repealed with Wasilla City Council action.

Assemblymember Vehrs:

- spoke to placing language in the ballot proposition stating that if the property taxes exceed 10 mills then the sales tax would be repealed; and
- noted that the residents would like a guarantee in writing that this is going to offset the property taxes.

Assemblymember Colberg stated that keeping the mill rate at 10 mills or lower does not accomplish anything unless the assessments do not increase.

Discussion ensued regarding the sales tax offsetting the property taxes.

**MOTION:** Assemblymember Kvalheim moved a primary amendment to Ordinance Serial No. 05-066 to amend subsection 3.35.010(A) to strike the following sentence, "The purpose of the tax is levied by this chapter is to raise revenue for the retirement of voter-approved bond indebtedness."

**VOTE:** The primary amendment passed without objection.

Mayor Anderson queried if it would be possible to place language on the ballot stating that the intent of the sales tax is to reduce property taxes, dollar per dollar.

Ms. Williams replied that the dollar per dollar language would be a dedication of the funds and could not be used.

Assemblymember Simpson inquired if there were dollar amounts associated with mills that could be used to educate the residents.

Mr. Duffy:

- replied that generally, a 1 percent sales tax will generate \$5.5 million; and
- stated that one areawide mill is basically equivalent to \$5.5 million.

**MOTION:** Assemblymember Simpson moved a primary amendment to Ordinance Serial No. 05-066, section 3.35.050, Exemptions, to insert subsections (C) and (D) to read as follows:

“(C) The following classes of buyers are exempt from the provisions of this chapter:

- (1) an organization that has obtained a 501(c) exemption ruling from the Internal Revenue Service, as long as proof of such ruling is provided to the borough administration; and

(2) a church that is organized as a non-profit corporation under the laws of the state of Alaska, as long as proof of such incorporation is provided to the borough administration.

(D) The following classes of sellers are exempt from the provisions of this chapter:

(1) an organization that has obtained a 501(c) exemption ruling from the Internal Revue Service, as long as proof of such ruling is provided to the borough administration; and

(2) a church that is organized as a non-profit corporation under the laws of the state of Alaska, as long as proof of such incorporation is provided to the borough administration.”

Assemblymember Simpson:

- spoke in support of the primary amendment; and
- noted that the sales tax legislation for other municipalities throughout the State contain this language, including the cities of Houston, Palmer, and Wasilla.

Mayor Anderson inquired what non-profit organizations or churches may be selling.

Assemblymember Simpson replied that the definition of buying and selling is accounted for in the some of the legislation for other municipalities, for example one of the municipalities stated that they could not sell alcohol or other specifically listed items.

Discussion ensued regarding the exemptions proposed in the amendment.

VOTE: The primary amendment passed without objection.

*(The special meeting recessed at 7:33 p.m. and reconvened at 7:49 p.m.)*

MOTION: Assemblymember Vehrs moved a primary amendment to Ordinance Serial No. 05-066, section 3.35.050, Exemptions, to insert paragraph (3) to both subsections (C) and (D), to read as follows:

“(3) senior citizens (65 years or older) who are eligible for senior citizen property tax exemptions, and disabled veterans eligible for property tax exemption, as long as proof of such status is provided to the borough administration.”

Assemblymember Vehrs:

- stated that she has been advised by the Borough Attorney that a person eligible for this exemption would have to come to the Borough to receive a certificate issued by the Borough; and
- noted that the person would then show this certificate when purchasing items in order to receive the exemption.

Assemblymember Simpson stated that this amendment would cause a disparity between the Borough sales tax and the sales tax for the cities of Houston, Palmer, and Wasilla.

Assemblymember Colberg spoke in opposition to the amendment.

Discussion ensued regarding the primary amendment.

**VOTE:** The primary amendment failed with Assemblymembers Kvalheim and Vehrs in support.

**MOTION:** Assemblymember Vehrs moved a primary amendment to Ordinance Serial No. 05-065, to amend the ballot proposition language to insert after the word Borough, “effective only if the annual mill rate does not exceed nine mills” to read, “Levy a sales tax not exceeding 2 percent on sales, services, and rentals of \$500 or less within the Borough, effective only if the annual mill rate does not exceed nine mills, as more fully described in Ordinance Serial No. 05-066?”

Assemblymember Vehrs spoke to the amendment.

Assemblymember Simpson:

- inquired regarding the effective date of January 1, 2006; and
- stated that the mill rate is currently above nine mills.

Ms. Williams replied that the effective date for the clause regarding the nine mills could be July 1, 2006, the beginning of the new fiscal year.

Assemblymember Woods voiced concerns regarding a mill rate of nine mills will be insufficient.

Mr. Duffy:

- stated that he has the same concerns;
- stated that before a number is decided upon, he would like to perform a forecast and analysis of the revenues to be generated from both the sales tax and property tax for the next five to ten years; and
- noted that the sale of bonds will also need to be factored in to the forecast.

Assemblymember Simpson inquired as to how the proposed tax cap would affect the amendment.

Ms. Williams replied that she would like time to research the issue.

Discussion ensued regarding the primary amendment.

**MOTION:** Assemblymember Simpson moved to postpone Ordinance Serial Nos. 05-065 and 05-066 to a time certain of July 12, 2005, for the purpose of obtaining a sensitivity analysis and forecast and to research how the proposed tax cap would affect the legislation.

VOTE: The motion to postpone to a time certain passed without objection.

MOTION: Assemblymember Colberg moved to reconsider the primary amendment to Ordinance Serial No. 05-066, section 3.35.050, Exemptions, to insert paragraph (3) to both subsections (C) and (D), to read as follows:

“(3) senior citizens (65 years or older) who are eligible for senior citizen property tax exemptions, and disabled veterans eligible for property tax exemption, as long as proof of such status is provided to the borough administration.”

VOTE: The motion to reconsider failed with Assemblymember Vehrs in support.

*(The special meeting recessed at 8:15 p.m. and reconvened at 8:25 p.m.)*

2. Ordinance Serial No. 05-069: AN ORDINANCE AUTHORIZING THE MATANUSKA-SUSITNA BOROUGH TO LEVY A SEVERANCE TAX NOT EXCEEDING \$0.25 PER YARD OF MATERIAL, \$0.25 PER SHORT TON OF COAL AND \$2.50 PER ACRE OF TIMBER, AND SUBMITTING THE QUESTION OF THE LEVYING OF THE SEVERANCE TAX TO THE QUALIFIED VOTERS OF THE BOROUGH AT THE OCTOBER 4, 2005, REGULAR BOROUGH ELECTION.
  - a. Ordinance Serial No. 05-067: AN ORDINANCE ESTABLISHING A TAX ON A NATURAL RESOURCE WHENEVER THE NATURAL RESOURCE IS SEVERED AND SOLD FROM PROPERTY WITHIN THE MATANUSKA-SUSITNA BOROUGH AND PROVIDING FOR PENALTIES FOR FAILURE TO PAY TAXES DUE BY ADOPTING MSB 3.55, NATURAL RESOURCE SEVERANCE TAX.
    - (1) IM No. 05-114

Mr. Duffy provided a staff report.

Mayor Anderson opened the public hearing.

The following persons spoke in opposition to Ordinance Serial Nos. 05-069 and 05-067: Mr. Steve Lovs, Mr. Wes Vander Martin, and Mr. Trevor Edmondson.

The following person spoke in support of Ordinance Serial Nos. 05-069 and 05-067: Mr. Ted Cremer.

The following person spoke to the residents of the Borough voting on Ordinance Serial Nos. 05-069 and 05-067: Mr. Pio Cottini.

The following person spoke regarding taxing other items: Ms. Lucille Frey.

There being no others present who wished to testify, the public hearing closed and discussion moved to the Assembly.

MOTION: Assemblymember Woods moved to adopt Ordinance Serial Nos. 05-069 and 05-067.

Mayor Anderson inquired how much of the gravel is being exported to Anchorage.

Mr. Duffy replied that out of the 3 million tons, the amount of gravel being exported to Anchorage is between 1.5 million to 2 million tons.

*(The special meeting recessed at 8:50 p.m. and reconvened at 8:53 p.m.)*

MOTION: Assemblymember Woods moved a primary amendment to Ordinance Serial No. 05-067, to strike section 3.55.100 in its entirety.

VOTE: The primary amendment passed without objection.

VOTE: The main motion as amended passed with Assemblymember Simpson opposed.

MOTION: Assemblymember Kvalheim moved to reconsider Ordinance Serial Nos. 05-069 and 05-067.

VOTE: The motion to reconsider failed unanimously.

*(Assemblymember Allen exited the meeting at this time.)*

## **VI. AUDIENCE PARTICIPATION**

*(There were no persons who wished to testify.)*

## **VII. MAYOR, ASSEMBLY, AND STAFF COMMENTS**

Ms. Williams noted that one of her secretaries, Cindy Williams, will be moving out of state, so she will be hiring a new employee.

Ms. McGehee:

- reviewed the July meeting schedule; and
- referred to the memorandum noting that she has certified the tobacco tax referendum.

Assemblymember Kvalheim noted that the employee appreciation picnic is scheduled for tomorrow.

Assemblymember Woods discussed issues and complaints that she has received regarding the multi-use trails.

Assemblymember Vehrs noted that she has received an interesting e-mail from a constituent regarding float planes on lakes.

Mayor Anderson:

- thanked Assemblymember Colver for chairing the meeting on June 21, 2005;
- discussed the police powers legislation;
- spoke to the voters approving police powers and the associated costs; and
- discussed possible ballot language for the legislation.

### **VIII. ADJOURNMENT**

The special meeting adjourned at 9:07 p.m.

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TIMOTHY L. ANDERSON, Borough Mayor

ATTEST:

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MICHELLE M. MCGEHEE, CMC, Borough Clerk

Minutes approved: 07/19/05