

**I. CALL TO ORDER**

The special meeting of the Matanuska-Susitna Borough Assembly was held on August 10, 2004, at the Borough Assembly Chambers, 350 E. Dahlia Avenue, Palmer, Alaska. The meeting was called to order at 6 p.m. by Mayor Timothy L. Anderson, for the purpose of continued discussion of Ordinance Serial Nos. 04-122 and 04-132.

**II. ROLL CALL**

Assembly members present and establishing a quorum were:

Mr. J. Bruce Bush, Assembly District No. 1  
Mr. Bill Allen, Assembly District No. 2  
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:

Ms. Michelle M. McGehee, CMC, Borough Clerk  
Ms. Lonnie R. McKechnie, Borough Clerk Secretary  
Mr. John Duffy, Borough Manager  
Ms. Teresa S. Williams, Borough Attorney  
Ms. Tammy Clayton, Finance Director

**III. APPROVAL OF AGENDA**

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

GENERAL CONSENT: The agenda was approved as presented.

**IV. PLEDGE OF ALLEGIANCE**

The Pledge of Allegiance was led by Zaz Hollander, Anchorage Daily News reporter.

**V. UNFINISHED BUSINESS**

A. Ordinance Serial No. 04-122: AN ORDINANCE ADOPTING MSB 3.35, A UNIFORM SALES TAX.

- a. Ordinance Serial No. 04-132: AN ORDINANCE AUTHORIZING THE MATANUSKA-SUSITNA BOROUGH TO LEVY A SALES TAX NOT EXCEEDING 1 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 5, 2004, BOROUGH ELECTION.

*(Sponsor: Mayor Anderson) (Pending from the June 29, 2004, regular assembly meeting)*

- (1) IM No. 04-186

Ms. Clayton:

- provided a history of the mill levy in the Borough; and
- reported on the impact of a tax cap.

Assemblymember Allen queried what would cause the increase in the base points, with no tax, on the projections for FY06.

Ms. Clayton:

- advised that debt service is what would cause the base points to bump; and
- advised of the debt that will be issued in 2005.

Discussion ensued regarding debt service.

**MOTION:** Assemblymember Allen moved a primary amendment to Ordinance Serial No. 04-122, by inserting the following non-code section to read as follows: “Section 3. Designation of Revenues. Any and all revenues from the sales tax implemented by this ordinance shall be designated for the following purposes. (A) \$1,000,000 shall be used for the Major Repair and Rehabilitation of all Borough properties, including schools, to the maximum fund amount established by ordinance; (B) \$750,000 to capitalize the Borough’s capital improvements program to a fund maximum of \$750,000. (C) \$750,000 to capitalize the Borough’s emergency response programs to a fund maximum of \$750,000. (D) \$1,000,000 for borough road construction and major repair, including the borough’s match for any state or federal road projects in the borough; and (E) the balance to the General Fund for use in offsetting the real property tax mill levy.”

“This provision will automatically be repealed on the third anniversary of its effective date, unless otherwise provided by ordinance approved and adopted by the assembly prior to that date.”

“To amend Section 1 to reflect the non-code Section 3 and to renumber the remaining of the ordinance accordingly.”

Assemblymember Allen:

- advised that normally he is opposed to a sales tax;
- opined that a sales tax impacts people who can afford it the least;
- noted that the Borough does not have a commercial sector to offset the burden on the property owners;

- remarked that the Assembly needs to look at resource development to offset the revenue stream; and
- advised that the reason for the amendment was to have intent language for the ballot.

Assemblymember Bush inquired if the intention was to have the sales tax sunset in three years.

Assemblymember Allen:

- advised that his intent was to have the Assembly review the sales tax in three years;
- explained that during this time the assessed value of the commercial sector may increase and that the Borough may have more resource development; and
- opined that these items could reduce the burden of property taxes.

Mayor Anderson:

- spoke to projections in sales tax and the designation of the monies in the amendment;
- noted that the initial intent of bringing the legislation forward was to offset property tax;
- expressed concerns with designating the sales tax monies; and
- opined that the amendment may hurt the chances of the property tax being passed by the voters on the ballot.

Assemblymember Allen:

- remarked that the voting public would be more assured with the designation of the funds;
- spoke to his reasoning why the three-year clause is in the amendment; and
- noted the need for the designation of the funds.

Assemblymember Simpson:

- remarked that by setting reserve accounts it gives some of the public the perception that we are taxing more than is needed;
- spoke to the bond rating and the fiscal health of the Borough; and
- noted that the public expects the mill rate to be as low as possible.

Assemblymember Kvalheim:

- expressed that the public will not see the benefit until the mill levy goes down;
- spoke to the time it takes to get a plat through the Platting Division; and
- opined that it is not the time to go back to fund reserves.

Assemblymember Vehrs advised that her constituents' only interest in the sales tax is to lower the mill rate.

**MOTION:** Assemblymember Vehrs moved a secondary amendment to Ordinance Serial No. 04-122 to strike the word “shall” and insert “may;” (A) to strike “\$1,000,000, and insert “\$500,000;” (B) to strike “\$750,000” and insert “\$300,000;” (C) to strike “\$750,000” and insert “\$200,000;” and (D) to strike “\$1,000,000” and insert “\$500,000.”

Assemblymember Vehrs:

- spoke to the intent to lower the mill rate;
- expressed the need to make the sales tax appealing to the public; and
- spoke to a state sales tax.

Discussion ensued regarding the amendments and the mill rate.

**WITHDRAW:** Assemblymember Vehrs requested to withdraw the secondary amendment.

There was no objection to the withdrawal.

Assemblymember Bush:

- expressed concerns that there is no guarantee the mill rate will not be raised; and
- spoke to a mill rate cap.

Assemblymember Allen:

- spoke to sales tax increasing every year due to inflation;
- expressed the need for the items in the amendment to be funded; and
- spoke to the needs of a growing community.

**VOTE:** The primary amendment failed with Assemblymember Allen in support.

Assemblymember Colberg:

- remarked that the sales tax was originally brought about for diversification;
- stated that the Assembly has had good public input;
- spoke to the budget and the reduction of the mill rate;
- addressed the natural resource depletion tax;
- noted that the sales tax has been voted down four consecutive times; and
- stated that he is in opposition to a sales tax.

Discussion ensued regarding the sales tax.

**VOTE:** The motion failed with Assemblymembers Allen, Colberg, and Bush opposed and Assemblymembers Kvalheim, Simpson, and Vehrs in support. (Tie vote.) The motion **passed** with Mayor Anderson invoking his right to vote in the affirmative.

**MOTION:** Assemblymember Simpson moved to reconsideration Ordinance Serial Nos. 04-122 and 04-132, as amended.

VOTE: The motion to reconsider failed unanimously.

## **VI. AUDIENCE PARTICIPATION**

Mr. Ron Rucker:

- spoke to the privatization of services at the School District;
- addressed the fund balance the Borough will be receiving back from the School District; and
- encouraged the Assembly to consider giving the fund balance back to the School District.

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

Ms. Williams advised of the success on the junk and trash litigations that were heard in district court.

Ms. McGehee gave a reminder of the Joint Assembly/Municipality of Anchorage meeting on August 13, 2004.

Assemblymember Allen:

- apologized to the Assembly for not being able to attend the work session on the management review request for proposals scope of work; and
- requested that the Clerk set another time for the work session.

Assemblymember Bush gave an update on erosion issues at the Matanuska River.

Assemblymember Colberg:

- commented that giving the voters a choice to vote on the sales tax is good; and
- remarked that he wished the voters had the same opportunity on the natural resource depletion tax.

Assemblymember Kvalheim:

- expressed the need to educate the public on the sales tax;
- requested an update on how this will be accomplished at the next meeting; and
- spoke regarding the success of the Bumper Drag program.

Assemblymember Simpson:

- also spoke to attending the Bumper Drag;
- addressed the privatization of services at the School District;
- remarked regarding the fund balance from the School District; and
- expressed appreciation to the staff for their work on the deep draft dock groundbreaking ceremony.

Mayor Anderson:

- commented on bringing names forward at the next meeting for the Human Services Matching Grant Program;
- encouraged the Assembly to educate the public on the sales tax issue;

- spoke regarding property taxes and the mill rate; and
- addressed the increase of property values in the Borough.

### VIII. ADJOURNMENT

The special meeting adjourned at 7:25 p.m.

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TIMOTHY L. ANDERSON, Borough Mayor

ATTEST:

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MICHELLE M. MCGEHEE, CMC, Borough Clerk

Minutes approved: September 7, 2004