



CITY OF SAINT PAUL

ALASKA

MEMORANDUM TO COUNCIL

TO: Mayor and City Council Members

FROM: Phillip A. Zavadil, City Manager

CC: Aubrey Wegeleben, City Clerk; Stephanie Mandregan, Finance Director

DATE: October 26, 2023

RE: Ordinance 23-05 - Revising and Amending Title 4 – Revenue and Finance, Chapter 4.25 - Sales Tax, 4.25.020 – Levey and collection of tax, Subsection (d) The tax on the sales of alcohol beverages, marijuana, and tobacco products within the City shall be equal to one percent

SUMMARY: Ordinance 23-01 approves amending the City Code of Ordinances Title 4 – Revenue and Finance, Chapter 4.25 - Sales Tax, 4.25.020 – Levey and collection of tax to add subsection (d) The tax on the sales of alcohol beverages, marijuana, and tobacco products within the City shall be equal to one percent and to put this to a vote of the public by ballot for a special election.

PREVIOUS COUNCIL ACTION: On May 10, 2016 the council approved Ordinance 16-02 An Ordinance for the City of saint Paul Revising the Rate of Sales Tax and Placing the Question of the Sales Tax Increase of One-Half Percent on a Ballot for A Special Election. The ballot measure was not approved by the public (*see attached ordinance*).

BACKGROUND AND DISCUSSION: The City has observed over a 60% loss in fish tax revenue because of the closure of BBRK and BSS crab fisheries. The decline in tax revenue has resulted in hiring freezes, limiting expenditures, deferring maintenance and other projects, an increase in public utility rates, and using investment funds to offset the loss in revenue. The City will need to look for new sources of revenue to continue to maintain and provide municipal services.

Any changes to the City’s sales tax ordinance requires three readings by the council and a public hearing. New proposed sales tax requires a vote of the public.

During the CEDS Community Conversations that occurred on October 15 and 16, 2023, many participants were in favor of this additional tax. Several were not in favor.

Even though council cannot include specific language in an ordinance to dedicate tax funds for certain activities; council can through its annual budget cycle budget revenues for dedicated

activates. One concept for the use of the funds generated from this tax would be to use it for public safety or childcare services in the community.

ALTERNATIVES: Council could choose not to approve this ordinance thereby not sending the new tax to a vote of the public.

FINANCIAL IMPLICATIONS: The MuniRevs system that the City uses to collect and track sales tax will need to be updated. The cost to implement changes to MuniRevs to include this new tax estimated to be. The City could receive the following estimated new tax revenue as listed below:

- \$20,000 to \$30,000 in new tax revenue on the sales of alcohol
- \$5,000 to \$15,000 in new tax revenue from the sale of marijuana
- Unknown amount of revenue from the sale of tobacco products

LEGAL: The City's general legal counsel has reviewed changes to ordinance.

ADMINISTRATION COMMENTS AND RECOMMENDATION: Administration recommends approval of this ordinance.

PROPOSED MOTION: I move to introduce Ordinance 23-05, and schedule it for public hearing, second reading on at the City Council meeting scheduled for November 14, 2023, third reading and adoption at the City Council meeting scheduled for December 12, 2023, and a vote of the public via a special election ballot within 30 days of council approval of this ordinance.

ATTACHMENTS: Ordinance 23-05, Changes to Chapter 4.25 – Sales Tax, and Ordinance 16-02.