



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 23-06 - Amending the City Code of Ordinances to revise and amend Chapter 4.25 Sales Tax Deleting Subsection (E) from the Sales Tax Exemptions

SUMMARY: Ordinance 23-06 approves revising and amending the Chapter 4.25 Sales Tax by deleting subsection (e) from the sales tax exemptions.

PREVIOUS COUNCIL ACTION: In 2016 the council took up this topic of removing this exemption however Ordinance 16-04 was declared void on March 15, 2016 since some council members did not declare a conflict of interest prior to voting on the ordinance (*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.

Per City Code of Ordinances Title 4 – Revenue and Finance, Chapter 4.25 - Sales Tax, 4.25.040 – Exemptions from sales tax - Generally, Subsection (e) Sales of seafood on vessels 46 feet or less length overall (LOA) are exempt from paying sales tax on the sale of seafood to the City. This exemption mainly targets the local halibut fishing vessels. Removing this exemption would bring in additional sales tax revenue to the City at a time that additional general revenues are needed to fund municipal services to the community.

Additionally, the City is paying the Corps for its share of the development of the Small Boat Harbor in the approximate amount of \$89,000 per year for the until the year 2049.

Any change to the City’s sales tax ordinance requires three readings.

ALTERNATIVES: Council could choose not to approve this ordinance.

FINANCIAL IMPLICATIONS: The cost to implement this fee is minimal to the City. Deleting this exemption could generate approximately \$40,000 to \$50,000 in additional sales tax revenue to the City.

LEGAL: The City's general legal counsel has reviewed changes to this ordinance. Council members that own and/or actively fish a vessel 46 feet or less in length should verbally declare a conflict of interest on this ordinance and obtain from voting.

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, and third reading and adoption at the City Council meeting scheduled for December 12, 2023,

ATTACHMENTS: Ordinance 23-06, Changes to Coded Ordinance 4.25, Ordinance 16-04.