



KENAI PENINSULA BOROUGH

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DAVID R. CAREY
BOROUGH MAYOR

MEMORANDUM

TO: Gary Knopp, Assembly President
Members, Kenai Peninsula Borough Assembly

FROM: Bill Smith, Assembly Member *Bill Smith*
Linda Murphy, Assembly Member *JB for L.M.*

DATE: May 26, 2011

SUBJECT: Ordinance 2011- 23, increasing the rate of consumers' sales tax from 3 percent to 3.1 percent, and dedicating the .1 percent increase to economic development.

The non-departmental expenditures in the budget have been a source of controversy for a few years. Although economic development is a function of a second class borough, there is often a reluctance to fund those activities when budgets are tight.

Support has been given to economic development activities because assisting and increasing the level of economic activity within the borough is essential to the well-being of our citizens. This is in addition to creating additional sales which bring in more sales tax to support our schools. Additional sales tax supporting school funding reduces the amount required to be dedicated from property taxes. Indeed, additional sales tax revenue is our best bulwark against raising property taxes.

In an effort to develop a system to fund economic development in a way that relieves pressure on property taxes in concordance with the wishes of the voters, we offer a ballot measure to add a .1 percent sales tax dedicated to economic development.

This .1 percent sales tax would add one penny per \$10 of sale. The total amount of tax estimated for one year is \$900,000.

The allocation to non-departmental funds in FY 2011 is as follows:

KPTMC:	\$300,000	(Kenai Peninsula Tourism & Marketing Council)
CARTS:	\$ 50,000	(Central Area Transit System)
EDD:	\$ 50,000	(Economic Development District)
SBDC:	\$105,000	(Small Business Development Center)
Post-Secondary Education:	\$637,570	(Kenai Peninsula College [KPC])

The funds with obvious economic development ties are the KPTMC, EDD and SBDC.

With voter approval of dedicated funding for economic development, there will be adequate funds to add to those currently funded. Fisheries related marketing and enhancement are of obvious interest.

Your input and support for this ballot proposition will be appreciated.