

Introduced by: Mayor Matherly and
All City Council Members
Finance Committee Review: April 5, May 3,
May 17, and July 19, 2022
Introduced: July 25, 2022

ORDINANCE NO. 6214

**AN ORDINANCE TO PRESENT TO THE QUALIFIED VOTERS OF
THE CITY OF FAIRBANKS THE QUESTION OF AMENDING
SECTION 6.5 OF THE CITY CHARTER TO REMOVE THE “CAP
WITHIN THE CAP” AND**

**TO PRESENT TO THE QUALIFIED VOTERS OF THE CITY OF
FAIRBANKS THE QUESTION OF INCREASING THE
RESIDENTIAL PROPERTY TAX EXEMPTION FROM \$20,000 TO
\$50,000, EFFECTIVE UPON VOTER APPROVAL OF
PROPOSITIONS A AND B, AS PROPOSED IN THIS ORDINANCE**

WHEREAS, on October 3, 1989, City of Fairbanks voters incorporated the “Tax Cap” into the City Charter, which essentially stated that the amount of total property and sales taxes the City could collect from one year to the next could only grow with the inflation rate, new building construction (added to the basis), payment of voter-approved bonds, and other limitations contained in Charter Section 6.5B; raising taxes above this cap requires approval by City voters; and

WHEREAS, in 2007, the Tax Cap was amended by voter-approved Ordinance No. 5705 to set a maximum property tax “Base Rate” of 4.9 mills before any exemptions, the so-called “cap within the cap”; and

WHEREAS, the fixed Base Rate has greatly restricted the City’s ability to grow with the inflation rate as envisioned in the original Tax Cap, causing City revenues to fall behind the Consumer Price Index; and

WHEREAS, the delivery of City services is negatively impacted by not keeping up with inflation; and

WHEREAS, a unanimous vote of the City Council is required to propose an amendment to the City’s Charter, and no amendment is effective unless and until approved by qualified City voters; and

WHEREAS, Alaska Statute 29.45.050(a) authorizes an optional municipal tax exemption for certain residential property up to a maximum of \$75,000 of the property’s assessed value; City code currently limits the maximum exemption to \$20,000; and

WHEREAS, the City Council’s enactment of this residential property tax exemption must be approved by the voters; and

WHEREAS, the current tax cap has made it difficult to raise the residential property tax exemption; and

WHEREAS, by returning to the original 1989 Tax Cap approved by voters, implementation of an increase in the residential property tax exemption should be considered; and

NOW THEREFORE, BE IT ENACTED BY THE CITY COUNCIL OF THE CITY OF FAIRBANKS, ALASKA, as follows:

SECTION 1. The City Clerk is directed to place the following question on the ballot for the voters of the City of Fairbanks at the 2022 regular election:

NOTE: PLEASE READ BOTH PROPOSITION A AND B BEFORE VOTING AS THEY ARE INTERRELATED.

Proposition A:

INFORMATION: City voters amended the City Charter in 1989, adopting a Tax Cap. Under the Tax Cap, the total amount of property and sales taxes the City can levy cannot exceed the prior year’s amount by more than the prior year’s rate of inflation, new construction, and the limitations contained in Charter Section 6.5B. However, in 2007, City voters approved an amendment to the Charter which limited the property tax mill rate to a maximum of 4.9 mills, before any authorized exemptions, the so-called “cap within the cap.” This 4.9 mill base rate has greatly hindered the City’s ability to keep up with inflation over the past 14 years. Proposition A seeks to remove the base rate language and return to the original Tax Cap as enacted by City voters in 1989. The effect of the passage of Proposition A would result in minor changes in the mill rate, either up or down, depending on the tax cap computation formula in the City Charter, which takes into consideration the consumer price index, property assessments, and sales tax revenues.

Should the Fairbanks City Charter, Section 6.5A, be amended to read as follows?
[text to be deleted shown in ~~strikethrough~~ font]

A. Except as provided in this section, the total amount of municipal tax that can be levied during a fiscal year shall not exceed the total amount approved by the city council for the preceding year by more than a percentage determined by adding the percentage increase in the Federal Consumer Price Index for Anchorage from the preceding fiscal year. ~~Of the total amount of taxes that can be collected, property taxes are limited by a maximum mill levy of 4.9 mills subject to Charter Section 6.5(B).~~ Any new or additional sales tax levied, other than hotel/motel, alcohol, and tobacco, must be approved by voters in a general election.

YES _____

NO _____

A “YES” vote amends Charter Section 6.5A.

A “NO” vote defeats the amendment and serves to defeat Proposition B below.

SECTION 2. FGC Sec. 74-34 is hereby amended as follows [new text in **bold/underline** font; deleted text in ~~strikethrough~~ font]:

Sec. 74-34. Residential property tax exemption.

(a) Residential real property within the city is exempt from property tax as authorized by ~~set forth in~~ AS 29.45.050(a), provided that:

- (1) The property is owned and occupied as a residence by the owners of record.
- (2) The owners of record must sign a real property exemption statement and file the statement with the borough assessor prior to April 1 of the tax year. The owners of record need not file such a statement for successive tax years if there is no change in ownership and no change in occupation as a residence by the owners of record.

(b) The maximum amount of the real property tax exemption provided for under ~~AS 29.45.050(a) and this section shall be~~ \$50,000 of a residential property's ~~20 percent of the assessed value, up to a maximum of \$20,000.~~

SECTION 3. The City Clerk is directed to place the following question on the ballot for the voters of the City of Fairbanks at the 2022 regular election:

Proposition B:

INFORMATION: Ordinance No. 6214 would increase the maximum allowable residential property tax exemption for qualifying taxpayers from \$20,000 to \$50,000. Before the increase in the maximum allowable residential property tax exemption becomes effective, city voters must ratify Ordinance No. 6214 AND must approve Proposition A, amending Section 6.5 of the City of Fairbanks Charter to remove the 4.9 mill limit on city real property taxes.

Should Ordinance No. 6214 be ratified?

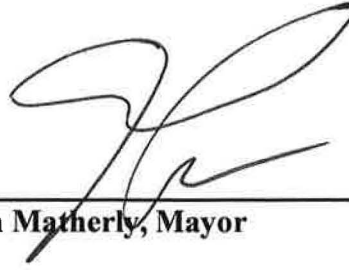
YES _____

NO _____

A "YES" vote ratifies Ordinance No. 6214 (only if Proposition A passes).

A "NO" vote defeats Ordinance No. 6214.

SECTION 4. Proposition A, approved by the City Council on the 8th day of August 2022, does not become effective unless and until ratified by the voters of the City of Fairbanks. The proposed amendments to FGC Sec. 74-34, approved by the City Council on the 8th day of August 2022, only becomes effective if ratified by the voters of the City of Fairbanks and if the Charter Amendment proposed by Proposition A is ratified by the voters.



Jim Matherly, Mayor

AYES: Gibson, Cleworth, Clark, Marney, Therrien, Rogers
NAYS: None
ABSENT: None
ADOPTED: August 8, 2022

ATTEST:

APPROVED AS TO FORM:



D. Danyielle Snider, MMC, City Clerk



Paul Ewers, City Attorney

CITY OF FAIRBANKS
FISCAL NOTE

I. REQUEST:

Ordinance or Resolution No: 6214

Abbreviated Title: ORDINANCE TO PRESENT TO QUALIFIED VOTERS TO REMOVE TAX CAP

Department(s): ALL

Does the adoption of this ordinance or resolution authorize:

1) additional costs beyond the current adopted budget? Yes _____ No x

2) additional support or maintenance costs? Yes _____ No x

If yes, what is the estimate? see below

3) additional positions beyond the current adopted budget? Yes _____ No x

If yes, how many positions? _____

If yes, type of positions? _____ (F - Full Time, P - Part Time, T - Temporary)

II. FINANCIAL DETAIL:

PROJECTS:	TOTAL
TOTAL	\$ -

FUNDING SOURCE:	TOTAL
TOTAL	\$ -

Based on the current net assessed taxable value, the proposed changes to the tax cap will result in the following:
 (1) **Without 2nd Cap** - Property Taxes \$18,783,724 [Mill Levy 6.233] or
 (2) **With Exemption & Without 2nd Cap** - Property Taxes \$18,783,724 [Mill Levy 6.434]

Reviewed by Finance Department: Initial mb Date 7/21/2022