

MUNICIPALITY OF SKAGWAY, ALASKA

RESOLUTION NO. 15-42R

A RESOLUTION OF THE MUNICIPALITY OF SKAGWAY, ALASKA URGING THE ALASKA LEGISLATURE TO ADOPT A SUSTAINABLE BUDGET PLAN FOR FY2017; WHILE GIVING SERIOUS ATTENTION TO THE SUSTAINABILITY PLAN SUBMITTED BY THE ALASKA MUNICIPAL LEAGUE.

WHEREAS, due to the drop in the price of oil, coupled with the decreased amount of oil in the pipeline, the State of Alaska has found itself with a \$3.5 billion gap in its budget for FY16; and

WHEREAS, last year, the Legislature alleviated some of the problem by severely cutting the capital budget; and

WHEREAS, substantial cuts were also made to the operating budget; and

WHEREAS, cutting either of those budgets as a sole means to solving our fiscal challenge will only serve to push our state into an economic recession; and

WHEREAS, the majority of the Legislature continues to feel that the solution is more government cuts; and

WHEREAS, the President of the Alaska Municipal League created an ad hoc committee to address this issue from the perspective of local government; and

WHEREAS, the committee is cognizant of the fact that municipalities must have a sustainable commitment from the Legislature in order for municipalities to remain sustainable; and

WHEREAS, despite a fiscal challenge, municipalities must continue to provide basic and essential services; and

WHEREAS, with these facts in mind, the AML Sustainability Committee has developed a plan from the perspective of local government; and

WHEREAS, the Municipality of Skagway believes that the leaders of our state should immediately adopt changes to not only lower the cost of government, but move quickly to raise revenues; and

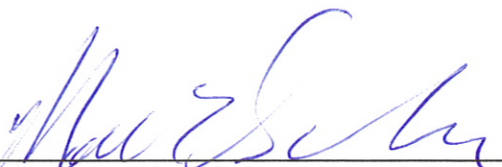
WHEREAS, at the same time, the Municipality of Skagway realizes it must understand the state and/or federal government will no longer continue to fund local government as before; and

WHEREAS, as more responsibilities are passed down to the subdivisions of the state during this fiscal challenge, we must be given the “tools” to allow that to happen;

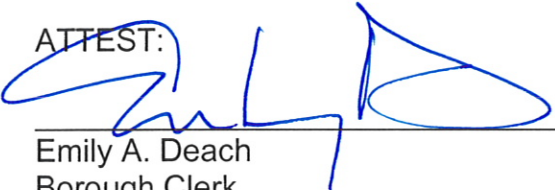
**MUNICIPALITY OF SKAGWAY, ALASKA
RESOLUTION NO. 15-42R
PAGE 2 OF 2**

NOW THEREFORE BE IT RESOLVED, that the Municipality of Skagway urges the Alaska Legislature to adopt a sustainable budget plan for FY 2017; while giving serious attention to the Sustainability Plan submitted by the Alaska Municipal League.

PASSED AND APPROVED this 3rd day of December, 2015 by the Assembly of the Municipality of Skagway, Alaska.



Mark Schaefer, Mayor

ATTEST:


Emily A. Deach
Borough Clerk

(SEAL)





ALASKA MUNICIPAL LEAGUE

SUSTAINABILITY PLAN

The Alaska Municipal League appointed a committee of interested local elected and appointed officials tasked with the goal of helping to identify available options through a municipal perspective that will allow our State to remain financially healthy. As local elected officials, we are adamant that local governments are in great need of stability and predictability, a luxury that we do not have at the present time.

We believe that the leaders of our State, as they find ways to lower the cost of government, must also identify ways in which our State can raise revenues. Cuts can only accomplish a portion of the answer to our problems and cuts without restraint will have a serious impact on the credit rating of our state and will cause massive economic dislocation issues. The choices made by the Legislature and the Administration will have a huge impact on the viability of municipalities.

Local governments have only three ways in which to raise revenue:

- Taxation (sales/property)
- Fees
- Revenue passed down from the federal or state government

As the revenues from the federal or state government decrease, the gap must be filled through taxation and/or an increase in fees.

While we agree with the Governor that our fiscal situation is an “opportunity” to rethink how we spend money, local governments must still provide basic and essential services to their citizens.

We have discussed our findings at great length. While many of the revenue options are painful, we believe it is time to make the decisions that will bring us back to the path that will allow Alaska to remain a viable, inviting, safe and healthy state in which to live. Alaska’s municipalities are ready and willing to step up and be part of the solution rather than part of the problem. While we believe decisions to address this situation must be made immediately, we believe the actions themselves can be spread over a number of years in order to soften the effects to some degree.



ALASKA MUNICIPAL LEAGUE

SUSTAINABILITY COMMITTEE RECOMMENDATIONS

Endowment/Permanent Fund

- Imperative to protect corpus of Permanent Fund
- Support and move to Permanent Fund Board's position on Endowment Fund
- Cap on Permanent Fund – which would be reviewed on a regular (3-year?) basis
- Cap would be based on percentage of earnings, allowing it to float up and down with the market

Income Tax

- Income tax captures out-of-state employees
- Income leaving state is 20% of total Alaska income
- Income tax is deductible from Federal Income Tax
- Income Tax gives Alaska residents skin-in-the-game

Sales Tax

- This would be last choice of Alaska's municipalities
- Would erode tax base and simply shift revenue from one entity to another
- We believe it should remain a local government power
- Municipalities will, however, not take it off the table and agree to work on solutions revolving around Sales Tax

Other Revenues

- School Tax
- Collatorization of Assets and Pension Obligation Bonds are too risky
- Municipalities will not weigh in on oil/gas taxation, as we do not have the expertise