Public Decries Sales Tax Increase, Council Seeks Input

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Jennifer Canfield/KMXT

The City of Kodiak has been drawing on its general fund to cover increasing costs, but without additional revenue or drastic cuts that fund could be depleted. Last night the Kodiak City Council gave the first reading of an ordinance that would increase the sales tax from six percent to seven percent. The ordinance would also increase the amount that can be taxed in a single transaction from $750 to $3,500.

While the increase would generate an additional $3.1 million in revenue for the city, residents might decide to make large purchases off the island and that could affect local businesses.

Kodiak first established a city sales tax in 1956 of two percent. It increased to three percent in 1961, five percent in 1969 and finally to six percent, where it has remained since 1993.

The sales tax makes up 54 percent of the city's revenue, more than the property tax which only brings in five percent.

Comments from the public were all against the sales tax increase. Public testimony lasted well over an hour with over 30 people speaking. You can listen to the story for more details.

City Council members took a lot of heat from residents who were angry that the issue of raising the sales tax seemed to appear suddenly. Several members made sure to point out that the council has been discussing the possibility of raising the sales tax for nearly five years.

Council member Charlie Davidson responded to criticism by inviting the public to take part in the process and offer up their own solutions.

"I've heard a lot of comments tonight. I can't say that I disagree with any of them. I like to have people rather than tell us what we can't do or should not do, what we can do. I challenge anybody who was here tonight to come in and check through the budget- that's open, it's on the Internet, it's in the office, you're welcome to come in- and you tell us where we have been spendthrift or not duty bound in what we're trying to do for

this community."

Council member Terry Haines said that much of the funding for recent projects has come from state and federal coffers and that Kodiak needs more infrastructure to support the local economy.

"We happen to have a little bit of a disadvantage in that we're a small city that requires big infrastructure in order for our industry to go on. One of the only things that's ever been pointed out about Kodiak economy- as far as those of similarly sized communities- is more that we're more or less a single resource economy. Without fishing we're just not going to get by and the fact is that we do need our big infrastructure."

Council member John Whiddon pointed out that one major expenditure- $500,000 for the Baranof Park project- was brought to the council by the citizens.

"There was a petition that went around town and over 400 signatures were gathered that fully supported that Baranof Park project and the city should contribute to that. I would maintain that it there was a sentence at the end of that petition that said, "and are you willing to pay for it?" there probably wouldn't have been 400 signatures."

The city offers two alternatives to passing the one percent sale tax increase. The first is to amend the ordinance. This alternative isn't recommended by the city manager as the council hasn't determined any other way to meet their $3-$4 million shortfall. The other alternative is to do nothing, which the city says would result in decreased services and would make it difficult for the council to reach long-term goals.