

SUBJECT: AN ORDINANCE OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY AMENDING MSB 3.24, DISTRIBUTION OF MOTOR VEHICLE REGISTRATION TAX REVENUES.

AGENDA OF: February 19, 2019

ASSEMBLY ACTION:

OR 19-034: Public Hearing held - Adopted w/o
objection @ 6/4/19 RM

MANAGER RECOMMENDATION: Introduce and set for public hearing.

APPROVED BY JOHN MOOSEY, BOROUGH MANAGER:

Route To:	Department/Individual	Initials	Remarks
	Originator	NS	for Assemblymember Leonard
	Public Works	TZ	8 Feb 19
	Finance	CF	
	Borough Attorney	NS	
	Borough Clerk	JRM	2/11/19

ATTACHMENT (S): Fiscal Note X NO YES
Ordinance Serial No. 19-034 (6 pp)

SUMMARY:

This ordinance is sponsored by Assemblymember Leonard to amend the distribution schedule of the Borough's motor vehicle registration tax receipts.

HISTORY:

The Matanuska-Susitna Borough levies a motor vehicle registration tax as allowed by state law under AS 28.10.431. The amount of tax is found at MSB 3.15.035. The receipts of this tax are distributed according to a *per capita* distribution found at MSB 3.24.030.

MSB 3.24.030 contains differing allocation amounts as they apply from year to year. In 2013 the distributions amounts for the areawide fund and cities were reduced to allow for more funds to go to road service areas and for paving projects. [Ordinance 13-058, IM 13-114] In addition, MSB 3.24.030 was amended to provide that leftover funds were assigned priorities for paving and match

projects.

Thereafter, in 2014, the Borough Assembly passed an ordinance allowing for permanent motor vehicle registration commencing on January 1, 2015 with a sunset provision of December 31, 2018. [Ordinance 14-107, IM 14-161] It was anticipated that permanent registration would result in a reduction in revenue beginning in January, 2017 and continuing thereafter. Projections at the time were that in FY 2017 there would be a 1/3 reduction in revenue and thereafter, there would be a 2/3 reduction in revenue as compared to pre-2015 revenue brought in by the tax. Accordingly, distribution amounts in MSB 3.24.030 were amended and reduced in anticipation of this revenue reduction. [Ordinance 14-108, IM 14-161].

In addition, in 2014 the Borough Assembly added a section to MSB 3.24.030 regarding the use of leftover funds. This section limited the use for paving to \$500,000 annually and specified that residual amounts were to be placed in a capital reserve account for future purposes.

In 2018, the Borough Assembly determined that projected revenue reductions have not been as great as anticipated. As noted in IM 18-119, the revenues before permanent registration were \$3.8 to \$4.1 million and the revenues after permanent registration were \$3.8 to \$3.3 million (Estimated). As a result, the Borough Assembly repealed the sunset provision of the permanent motor vehicle registration. [Ordinance 18-080, IM 18-119] The permanent motor vehicle registration option continues today.

CURRENT CONCERNS:

In FY 2019, the amount of the capital reserve account exceeded \$6 million. As the Borough's population continues to grow, there is more and more need for local road improvements and local road construction projects. Limiting annual local road construction to dust control and capping distributions to \$500,000 is having the effect of limiting needed construction while building an excessive reserve. This appears to be a result once again of the fact that revenues from the motor vehicle registration tax did not decline as originally anticipated in 2014.

Also, the cities have continued to express concern over the 2013 amendments in MSB 3.24.030 which reduced the *per capita* distribution to the cities. Since cities maintain and operate their own roads, the cities are requesting a *per capita* distribution in the amounts equal to the road service areas. It is also unknown why a city might receive differing amounts of a motor vehicle tax distribution depending on what property tax exemptions are in place.

In addition, the time has come to re-evaluate the distribution of these tax revenues to things that are unrelated to motor vehicle operations. There is no current distribution to the areawide and non-areawide fund. However, fire service areas and special service areas which do not provide roads are receiving distributions from this tax. This ordinance will change the distribution formula so that motor vehicle taxes are returned to those functions directly tied to roads, streets, sidewalks, related drainage facilities and the like.

CURRENT PROPOSAL:

This proposed ordinance will change the distribution of the motor vehicle tax distribution to distribute the monies a *per capita* basis of \$20 to: 1) service areas which can specifically provide for road services; and 2) to cities. All other distributions will be eliminated and the reference what level of property taxes the cities have will be eliminated as well.

It should be noted that there are service areas which provide a variety of services including road and other services. See Pt. MacKenzie Service Area, MSB 5.25.094. There may be others in the future as well. It is the intent of this ordinance that any service area with the power to provide the service akin to the existing road service areas will receive a distribution. The fact that a service area is not limited to *only* providing roads does not prevent a distribution under the ordinance proposed. This Informational Memorandum has specifically addressed this point so there is no confusion on the issue.

This ordinance will also remove the \$500,000 limit on annual projects. As noted previously, the needs for paving, calcium chloride, road construction, reconstruction, or improvement projects exceed the annual distributions and it does not make sense to build a non-lapsing reserve.

In addition, the proposed ordinance clarifies that use of funds is not limited to mere application of asphalt. (i.e. the narrowest and most stringent interpretation of the word "paving"). Once again, this Informational Memorandum has specifically addressed this point so there is no confusion on the issue. Paving projects often encompass needs for additional base material, revised drainage, additional shoulder work, potential bridge or culvert repairs, grading, etc. The intent of this ordinance is to distribute tax monies on a per-capita basis and then allow the remaining funds to be placed to good use regarding all types of construction for the local road system.

There are three broad categories of use regarding the remaining funds. First, they can be used to fully fund bridge and railroad crossing major maintenance and repair (i.e. without a match).

These funds can be used for projects such as removal of lead paint, rebuilding or repairing concrete approaches, and other type of maintenance and repair which go beyond the normal type of maintenance such as plowing, sanding and grading. Second, remaining funds can also be used on a 50% match basis for road service area construction projects without limitation as to what those projects are. Third, the remaining funds can be used for providing a 50% match for dust control projects. In summary, the 50% match will apply whether it is a "dust control" project or any other local road service construction project.

Finally, an outdated reference to the lighting of the Palmer Hay Flats which has been irrelevant since 2005 is being removed from the code.

The new MSB 3.24.030 will read:

3.24.030 ALLOCATION OF MOTOR VEHICLE REGISTRATION TAX REVENUES.

(A) Pursuant to A.S. 28.10.431, the Matanuska-Susitna Borough shall allocate and distribute money received under this section based upon the population and motor vehicle registration tax per capita allocation rate of each entity entitled to an allocation of motor vehicle taxes. For purposes of this section, "road service area" is all service areas titled as road service areas and other special service area with specific enumerated powers to provide roads, streets, sidewalks, and related drainage facilities even if the other special service area has powers to provide for other non-road related services.

(B) Motor vehicle registration tax per capita allocation schedule:

Road Service Area	\$20
Cities	\$20

(C) The allocation of remaining funds, if any, shall be for funding bridge and railroad crossing major maintenance and repair, providing a 50 percent match for road service area construction projects, and providing a 50 percent match for dust control projects.

Recommendation of Administration: Adoption of the legislation.