

I. CALL TO ORDER

Finance Committee Chair Hal Jones called the meeting to order at 7:42 p.m. in the conference room of the City of Bethel offices.

II. ROLL CALL

Members Present:

Cox, Heath
Jones, Harold L
Kreider, Irv
Phillips, Agnes
Schink, Clint
Seo, Kilsoo

Members Absent:

Tubbs, Don (excused)

Guests Present:

Duke, Bonnie (Finance Director)

III. PEOPLE TO BE HEARD

NONE

IV. APPROVAL OF AGENDA

Phillips moved, seconded by Cox and unanimously approved, to place a new item under New Business, Hotel/Motel Bed Fee. Kreider moved, seconded by Cox and unanimously approved, to approve the agenda as amended.

V. APPROVAL OF MINUTES

No action was taken. The minutes of the December 5, 1996 meeting will be approved at the next meeting.

VI. OLD BUSINESS

A. Review Financial Statements

Finance Committee members reviewed a preliminary draft of the financial statements for the City for the six months ended December 31, 1996. The Finance Director indicated that adjustments would be made to the figures based on the normal procedures in the Finance Department to close a month. No action was taken. The Finance Director also briefly reviewed a draft copy of the audited financial statements for the fiscal year ended June 30, 1996 and indicated that the final report is being printed and would be available to members of the Finance Committee shortly. The Finance Director indicated that the financial statements will be formally presented to the City Council, management, and interested parties at a date to be determined. Several members asked to be informed of the date for the presentation when the date is set. The Finance Director indicated that the audited financial statements contained a "clean" audit opinion. This is the first "clean" audit opinion on the City's financial statements in the history of the City. The Finance Director indicated that the staff of the Finance Department are to be congratulated for their efforts in significantly improving and streamlining the operations in the Finance Department. The Finance Director indicated that a "clean" audit opinion is a monumental first step in improving the

financial reporting for the City and in ultimately obtaining funding, such as bonding, for needed capital improvements. The Finance Director indicated that it is essential to keep up the accounts now that they are in good order to assure future "clean" opinions. All committee members congratulated the Finance Director and her staff for this achievement.

Phillips moved, seconded by Cox and unanimously approved, to recommend that the City Council officially recognize the efforts of the Finance Director and her staff in obtaining a "clean" audit opinion.

VII. NEW BUSINESS

A. *Hotel/Motel Bed Tax or Fee*

Phillips indicated that the City Council had referred the issue of the City implementing a Hotel/Motel Bed Tax or Fee as suggested by a citizen at a City Council meeting. A general discussion of the issue occurred. The Finance Committee, in general, is in favor of implementing such a system and recommends that City Administration draft the necessary ordinance changes and have the City Attorney review the changes to determine if the fee can be implemented in lieu of sales tax and whether voter approval is required. The committee also discussed the definitions of the bed tax to apply only to hotels and motels and not to rental units that serve as primary residences for citizens.

VIII. COMMITTEE CHAIR'S COMMENTS

Chairman Jones welcomed Clint Schink to the committee. Chairman Jones stated that he was extremely pleased with the news that the City had obtained a "clean" audit opinion.

IX. FINANCE DIRECTOR'S COMMENTS

The Finance Director indicated that her comments were covered in the financial statement portion of the meeting.

X. FINANCE COMMITTEE MEMBER COMMENTS

Seo had no comments.

Phillips indicated that Department Heads and City Administration need to review their budgets for the upcoming six month budget review and adjustment. Phillips indicated that the City Council is very interested in reviewing the sales tax ordinances and policies and looked forward to working with the Finance Department on this issue also.

Kreider has no comments

Cox indicated that he had a scheduling conflict with the third Thursday of each month for the Finance Committee meeting. The Committee decided to change its meetings to the second Thursday of each month at 7:30 PM and to have the meetings in the Finance Department conference room to avoid conflicts for use of the main conference room.

XI. ADJOURNMENT

Upon motion by Mr. Tubbs, seconded by Mr. Kreider and unanimously approved, the meeting was adjourned at approximately 9:21 p.m.

I. CALL TO ORDER

Finance Committee selected Heath Cox to chair the meeting in the absence of Chair Hal Jones. Mr. Cox called the meeting to order at 7:40 p.m. in the finance department conference room of the City of Bethel offices.

II. ROLL CALL

Members Present:

Cox, Heath
Kreider, Irv
Phillips, Agnes
Schink, Clint

Members Absent:

Jones, Harold L
Osuji, Zod
Seo, Kilsoo

Guests Present:

Duke, Bonnie (Finance Director)

III. PEOPLE TO BE HEARD

NONE

IV. APPROVAL OF AGENDA

Phillips moved, seconded by Kreider an unanimously approved, to add approval of the minutes of the June 3, 1997 work session under item V, Approval of Minutes. Phillips moved, seconded by Kreider and unanimously approved, to approve the agenda, as amended.

V. APPROVAL OF MINUTES

Phillips noted corrections in the June 3, 1997 worksession minutes as follows:

- Kreider was listed under both "Members Present" and "Members Absent." Kreider was not in attendance at the June 3, 1997 meeting and should be deleted from the "Members Present" section.
- The June 3, 1997 minutes reflect a motion to adjourn by Kreider, seconded by Seo. Neither Kreider nor Seo attended the meeting. The minutes should be changed to reflect a motion to adjourn by Phillips, seconded by Schink.

Phillips moved, seconded by Kreider and unanimously approved, to accept the minutes of the June 3, 1997 worksession and the May 8, 1997 regular meeting of the Finance Committee, with the corrections noted.

VI. SALES TAX RECODIFICATION

Members were provided with copies of the policy questionnaire entitled "Bethel City Council-What is Your Sales Tax Policy?" ("Policy Questionnaire") and copies of Bethel Municipal Code Chapter 5.04 Business Licenses and Chapter 4.16 Sales Tax as a basis for discussions. Members also were provided with copies of the minutes for the June 3, 1997 work session as a basis for discussions.

Transient Lodging Sales Tax and/or Transient Lodging Business Tax

Members discussed the policy issues regarding design and implementation of a Hotel/Motel (transient lodging) tax. The Finance Director indicated that the City Attorney had provided information of the options available for this sort of revenue and the advantages and disadvantages of each option. Members discussed the fact that a tax structured as a business tax, and not as a sales tax, would not require voter approval. Members discussed that fact that the tax will ultimately be passed on to the consumer, regardless of the structure of the tax. Phillips moved, seconded by Schink,

to recommend that the City Council follow the policy outline prepared by the City Attorney for a Transient Lodging Business Tax.

Members suggested that the transient lodging business tax be incorporated into the ordinance revisions as a part of the sales tax recodification.

Senior Exemption:

A discussion occurred regarding the exemption from sales tax for sales to seniors for their own use or consumption. Members reviewed the minutes of the June 3, 1997 work session and the various motions which failed at the June 3, 1997 meeting.

Motion by Phillips, seconded by Schink:

To eliminate any application with the City or exemption certificate for seniors so that any form of identification acceptable to the collector would be sufficient documentation for the exemption.

Motion passed unanimously.

Cap of Sales of Durable Goods

Members discussed the desire for a policy which would limit the tax collected on sales of items such as snowmobiles, outboard motors, refrigerators, and similar items in order to encourage local purchase of such items. The Finance Director discussed the difficulties which have arisen due to misinterpretation of the single sale unit definition in the current code. The Finance Director suggested elimination of the single sale unit definition in favor of a definition of a "durable good" sale. The definition of durable goods could be obtained from the US Department of Commerce definition.

No action was taken. The Committee recommended that the definition of a "Durable Good" should be examined carefully to assure that certain types of sales can be specifically targeted to achieve the goal of stimulating sales in Bethel that would otherwise occur outside of Bethel. Further discussion on the item was tabled until the US Department of Commerce definition could be obtained and reviewed to determine applicability to Bethel sales.

Transactions in the Construction Industry

Members reviewed the minutes of the June 3, 1997 work session and reviewed the chart attached to the minutes to determine appropriate policy for the various transactions which occur in the construction industry. Discussion occurred regarding the policy of taxation on construction which would increase the cost to the ultimate purchaser or user of the asset constructed. Discussion occurred regarding the exemption of sales between contractors and subcontractors. Discussion occurred regarding the administrative burden of a fee for each project. Discussion occurred regarding the taxation of

consumable items for a construction project such as gas for a vehicle hauling materials to the site or expenses such as lodging for an engineer contracted for the job. Discussion occurred regarding the City's need to obtain some revenue for these activities to provide services such as police and fire for the new subdivision or commercial property, or other asset acquired.

Motion by Schink, seconded by Phillips:

To recommend to the City Council that any person engaged in construction in the City of Bethel may, upon payment of an additional license fee of \$1,000 per calendar year, obtain an exemption for non-consumable materials used in the construction projects. Contractors who do not pay the annual license fee will not be eligible for the exemption.

To recommend to the City Council that all transactions between general contractors and subcontractors be exempt from taxation.

To recommend to the City Council that any exemptions in the code clearly indicate that sales of consumable items such as fuel, meals, lodging, and other indirect costs are subject to tax, unless exempted under other parts of the code such as senior exemption.

Motion unanimously approved.

Items for Resale

Members reviewed the minutes of the June 3, 1997 work session regarding the discussions of an exemption for utilities such as heating fuel, electricity, water, sewer, and garbage for rental property. Discussion occurred regarding the items for resale exemption versus a specific exemption for these types of sales. Discussion occurred regarding the administrative burden to collectors to know when a sale qualifies under this type of exemption and when a sale does not qualify for this type of exemption. For example, if a property owner purchased heating fuel, the fuel seller would charge tax if the property were not rented and charge tax if the property were not rented. Members agreed that the exemption would be difficult, but not impossible, to administer.

Motion by Phillips, seconded by Schink,

To recommend to the City Council the addition of an exemption from tax on purchases of utilities for rental properties if the utilities are included in the lease agreement.

Motion unanimously approved.

Exemption for Day Care Services:

Members discussed the current exemption for day care services and recommended no change in the current code.

Casual and Isolated Sales

Members discussed the current exemption for casual and isolated sales and recommended no change in the current code.

Sales to Non-Profit Organizations and Sale by Non-Profit Organizations

Members discussed the code in which non-profit organizations, upon receipt of an exemption certificate from the City, are not charged tax on materials which the non-profit buys. However, current code does not exempt sales made by non-profit organizations in the business of selling. Members recommended no change in the current code

Court Fixed Fees

Members discussed the current code in which court fixed fees are exempt from sales tax. Members discussed the administrative burden that would be created if these transactions were taxed and agreed that the tax would not justify the administrative cost of collection.

Dues and Fees

Members discussed the current code in which dues and fees for non-profit organizations are exempt from sales tax. Members recommended no change in the current code. Members indicated that sales by non-profit organizations should not be interpreted as dues or fees. For example, a fee for the use of a facility should not be exempt.

Exports

Members discussed the current code in which exports are exempt from sales tax. Members recommended no change in the current code.

Freight and Wharfage

Members discussed the current code in which freight and wharfage are exempt from sales tax. Members recommended no change in the current code.

Loans and Interest on Loans

Members discussed the current code in which loans and interest on loans are exempt from sales tax. Members recommended no change in the current code.

Newspapers

Members discussed the current code in which sales of newspapers are exempt from sales tax. Members felt that the revenue from these sales would not be significant. Members recommended no change in the current code.

Games of Skill and Chance

Members discussed the current code in which sales from games of skill and chance are exempt from sales tax. However, games of skill and chance are subject to a license fee. Members recommended no change in the current code.

Medical and Veterinary Services

Members discussed the current code in which sales from games of skill and chance are exempt from sales tax. However, games of skill and chance are subject to a license fee. Members recommended no change in the current code.

Counseling Services

Members discussed the current code which does not contain a specific exemption for sales of counseling services by a psychologist, or psychological associate, a clinical social worker, an alcohol or drug counselor, or a marital and family therapist. The definition of medical service could be strictly interpreted to exclude these sales from the "Medical and Veterinary Services" exemption.

Motion by Schink, seconded by Kreider

To recommend to the City Council that an exemption be added to the code to exempt sales of counseling services by a licensed psychologist, or psychological associate, a clinical social worker, an alcohol and drug counselor, or a marital and family therapist.

Motion unanimously passed.

Solicitation Sales

Members discussed the current code which contains a section in which solicitors in the City are required to file with the City and obtain a business license. Members felt that enforcement efforts should be directed toward compliance in these areas and hoped that the new position of code enforcement officer could assist in these compliance efforts.

Manufacturers and Contractors Exemption

Members discussed changes recommended earlier in the evening regarding the exemption for contractors upon payment of the annual licensing fee and strict interpretation of the items eligible for the exemption to exclude consumable items. Members felt that an exemption for items purchased and used in a manufacturing operation are appropriate. Members felt that the definition in the current code was adequate but suggested review by the City Attorney, as needed, based on the proposed changes in the contractors exemption recommended earlier.

Due to the late hour, discussion of Water and Sewer rates was tabled until the next meeting.

VII. COMMITTEE CHAIRMAN'S COMMENTS

Members examined the plaque that had been purchased for Don Tubbs and the cover letter to Mr. Tubbs. The Finance Director was asked to send the plaque and letter as soon as possible.

Cox indicated several members would have scheduling conflicts for the June 17, 1997 work session. Cox asked the committee about re-scheduling the work session. The work session for June 17, 1997 was canceled and a make up work session was scheduled for June 26, 1997 at 7:30 PM in the City Offices.

VIII. FINANCE DIRECTOR'S COMMENTS

The Finance Director had no comments.

IX. FINANCE COMMITTEE MEMBER COMMENTS

Members had no comments.

X. ADJOURNMENT

Upon motion by Mr. Kreider, seconded by Mr. Schink and unanimously approved, the meeting was adjourned at approximately 9:55 PM.

SPECIAL MEETING

Transportation, Finance, and Public Works Committees

Discussion: Road Use Fees

June 19, 1997, 7:00 p.m.

Attendees: Transportation Commission - Doreen O'Brien, Thor Williams
Finance Committee - Agnes Phillips, Clint Schink
Public Works Committee - Mike O'Brien, Gary Vanasse
Others present: Clair Grifka, Terryl Miller, Wayne Smith, LJ Warren

Doreen O'Brien chaired the meeting, and started by stating the reason for the meeting. The topic of road use fees has been referred by the City Council to each of the Committees present. A joint meeting of the three committees makes more sense than having each committee meet separately.

Currently, there are a number of out-of-town construction companies in Bethel, running heavy equipment on the roads. Ms. O'Brien posed the question of whether the City should have some type of road use fee, and asked for input from all present.

Vanasse: Questioned if a road use fee would generate enough funds to pay for collection of the funds. Noted that the City's own water, sewer, and refuse trucks are the worst offenders. Should the City pay any road use fees that are enacted?

M. O'Brien: Stated that regulation wouldn't be very difficult. A simple sticker could be issued when people paid the fee, the same process used for issuance of small boat harbor permits. The sticker would be good for a year. The public relations issue would be a little tougher to handle.

Williams: Questioned how the fee should be structured. Perhaps based on gross axle weight - this would compensate for the difference between delivery vehicles, and heavy equipment.

Vanasse: Pointed out that heavy trucks do much more damage than pizza delivery vehicles. The substandard roads pose a problem.

Discussion followed on various regulations, such as hours of operation, no hauling during breakup, and requiring contractors to return roads to pre-construction condition. Ms. O'Brien noted that Nome, Dillingham, and Kotzebue simply use the State's regulations, but they're not built on sandpads. Perhaps Bethel needs a different set of regulations.

Discussion turned to dust control. Acting Public Works Director Clair Grifka stated that effective dust control will be expensive. Calcium chloride washes out after a few days of rain. Watering lasts less than an hour. The City is acquiring a hydroseeder, which can be used to seed the sides of roads, which should help.

SPECIAL MEETING
Transportation, Finance, and Public Works Committees
Discussion: Road Use Fees
June 19, 1997, 7:00 p.m.

M. O'Brien: If the Streets and Roads Division were established as an enterprise fund, all road use fees collected could be applied to the fund, and used for dust control, repairs, and paving. Even a small amount of paving each year would help.

Williams: Agreed with the idea of an enterprise fund.

Vanasse: Disagreed with the idea of an enterprise fund. The fund would never break even. However, the City does need to raise revenue to use on the roads. The questions are How? and How much?

M. O'Brien: Keep the process simple. Information can be obtained from the Department of Motor Vehicle on registered vehicles - and the un-registered heavy equipment would be easy to count locally.

Terryl Miller: Described road watering practices in his village in Thailand. Taxis shouldn't bear the total cost of road improvements and dust control.

Schink: Pointed out that road use fees would probably only add \$25K-30K to the City's revenue, which isn't very much compared to the work that needs to be done. It wouldn't even pay for a person to monitor and enforce the fees.

Smith: Noted that Chuck Willert, Streets & Roads Foreman, has only 3 men working for him, and old equipment. His workload continues to increase. Regardless of the amount collected, any funds raised should be put into the Streets & Roads Div.

Warren: Recalled that two years ago the legislature considered a bill which would allow municipalities to increase the amount collected by the State when owners register their vehicles. A portion of this money is already kicked back to the City. Will investigate to find out how much we could increase.

Schink: Suggested a 3-4 year frontage foot tax, with all funds going into the Streets & Roads Division. Mr. O'Brien noted that a frontage foot tax would essentially be a property tax, and would require voter approval.

The meeting came to a close, with the following action items:

- Doreen O'Brien will look at what the State is currently charging per GVW on the highways.
- LJ Warren will find out about the 1996 legislation allowing cities to increase registration fees.
- LJ Warren will talk to the City Attorney about an eventual ordinance to enact road use fees.

I. CALL TO ORDER

Finance Committee Chair Hal Jones called the meeting to order at 7:30 p.m. in the conference room of the City of Bethel offices.

II. ROLL CALL

Members Present:

Cox, Heath
Jones, Harold L
Kreider, Irv
Osuji, Zod

Members Absent:

Phillips, Agnes
Schink, Clint
Seo, Kilsoo

Guests Present:

O'Brien, Mike (Councilman)
Duke, Bonnie, (Finance Director)
Robinson, Stuart (Assistant Finance Director)

III. PEOPLE TO BE HEARD

IV. APPROVAL OF AGENDA

V. APPROVAL OF MINUTES

VI. OLD BUSINESS

VII. NEW BUSINESS

VIII. COMMITTEE CHAIR'S COMMENTS

Chairman Jones commented that this is the last meeting attended by Bonnie Duke. That her performance has been exemplary over the last three years and she will be sorely missed by the committee and the City of Bethel. Chairman Jones recommended that the Council support the appointment of the Assistant Finance Director as acting Finance Director until the position is filled.

Chairman Jones invited Director Duke to review the status of ongoing projects in the Finance Department and to express her concerns and recommendations for the benefit of the Finance Committee.

IX. FINANCE DIRECTOR'S COMMENTS

The Director had the following comments.

1. The collateralization agreements recommended by the last audit were near completion with National Bank of Alaska.
2. The Braund Building Renovation project has about half of the funds required in state grants but the remainder of the estimated cost of 1.3 million needs to be financed by loans or bonds.
3. Water / Sewer Capital project requires a two step process. A cash flow of 1.5 million cash flow established in the short term and Long Term funding planning to complete the project.
4. That a Purchasing and Budgetary Control Ordinances are required to satisfy audit compliance from the previous year Management Letter. The Director recommended that the Purchasing function be re established under the control of the Finance Director.
5. The Fee Ordinance needs to be rewritten. The City Attorney has been working with suggestions and Ordinance models from other Alaskan communities. The Finance Committee is recommended to have a direct contribution to the content and structure of the fees. It is also suggested that the Water/Sewer fees be established by "hard code." That is, the fees are changed or deleted by Council action only. The non-hard code fees are enable fees controlled by the City Manager.
6. Sales tax ordinances need recodification.... On going item.
7. Strongly recommend accounting support in order to close and reconcile end of fiscal year process. Altman, Rogers CPA's could assist the department including online remote access with the computer software package.
8. Follow up with APUC with discharge permits. Certification not in place at this time.
9. Continue to expand and implement the netware , LAN system, initiated in 1996, including training and replacement of obsolete technology.
10. Accounting Software needs to be year 2000 compliant. Provide funding at FY 97-98 mid year budget review or no later than FY 98-99 Budget cycle.

X. FINANCE COMMITTEE MEMBER COMMENTS

Chairman Jones made a motion to have the Finance Committee prepare a letter of appreciation for Bonnie Duke in recognition of her outstanding service and dedication as the Finance Director. Seconded by Mr. Cox and unanimously approved, the recommendation was passed.

XI. ADJOURNMENT

Upon motion by Mr. Cox, seconded by Mr. Osuji and unanimously approved, the meeting was adjourned at approximately 8:23 p.m.

XII. ATTACHMENT



Copy of the Finance Director's Report dated July 13, 1997

Approved OCT 9TH 1997

~~Wednesday, July 26, 1997~~

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TUES 15

I. CALL TO ORDER

Finance Committee Chair Hal Jones called the meeting to order at 7:30 p.m. in the conference room of the City of Bethel offices.

II. ROLL CALL

Members Present:

Cox, Heath
Jones, Harold L
Kreider, Irv
Osuji, Zod

Members Absent:

Phillips, Agnes
Schink, Clint
Seo, Kilsoo

Guests Present:

O'Brien, Mike (Councilman)
Duke, Bonnie, (Finance Director)
Robinson, Stuart (Assistant Finance Director)

III. PEOPLE TO BE HEARD

IV. APPROVAL OF AGENDA

V. APPROVAL OF MINUTES

VI. OLD BUSINESS

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Chairman Jones invited Director Duke to review the status of ongoing projects in the Finance Department and to express her concerns and recommendations for the benefit of the Finance Committee.

IX. FINANCE DIRECTOR'S COMMENTS

The Director had the following comments.

1. The collateralization agreements recommended by the last audit were near completion with National Bank of Alaska.
2. The Braund Building Renovation project has about half of the funds required in state grants but the remainder of the estimated cost of 1.3 million needs to be financed by loans or bonds.
3. Water / Sewer Capital project requires a two step process. A cash flow of 1.5 million cash flow established in the short term and Long Term funding planning to complete the project.
4. That a Purchasing and Budgetary Control Ordinances are required to satisfy audit compliance from the previous year Management Letter. The Director recommended that the Purchasing function be re established under the control of the Finance Director.
5. The Fee Ordinance needs to be rewritten. The City Attorney has been working with suggestions and Ordinance models from other Alaskan communities. The Finance Committee is recommended to have a direct contribution to the content and structure of the fees. It is also suggested that the Water/Sewer fees be established by "hard code." That is, the fees are changed or deleted by Council action only. The non-hard code fees are enable fees controlled by the City Manager.
6. Sales tax ordinances need recodification.... On going item.
7. Strongly recommend accounting support in order to close and reconcile end of fiscal year process. Altman, Rogers CPA's could assist the department including online remote access with the computer software package.
8. Follow up with APUC with discharge permits. Certification not in place at this time.
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10. Accounting Software needs to be year 2000 compliant. Provide funding at FY 97-98 mid year budget review or no later than FY 98-99 Budget cycle.

X. FINANCE COMMITTEE MEMBER COMMENTS

Chairman Jones made a motion to have the Finance Committee prepare a letter of appreciation for Bonnie Duke in recognition of her outstanding service and dedication as the Finance Director. Seconded by Mr. Cox and unanimously approved, the recommendation was passed.

XI. ADJOURNMENT

Upon motion by Mr. Cox, seconded by Mr. Osuji and unanimously approved, the meeting was adjourned at approximately 8:23 p.m.

XII. ATTACHMENT

Copy of the Finance Director's Report dated July 13, 1997

I. CALL TO ORDER

The meeting was convened at 7:30 p.m. by Chairman Hal Jones at the City of Bethel Finance office.

II. ROLL CALL

Members Present:

Jones, Harold L
Kreider, Irv
Osuji, Zod
Phillips, Agnes
Schink, Clint

Members Absent:

Seo, Kilsoo (excused)

Guests Present:

O'Brien, Mike (Councilman)
Fairbanks, Grant
Robinson, Stuart (Finance Director)

III. PEOPLE TO BE HEARD

Grant Fairbanks address the committee regarding the intent and purpose of the Lodging Fee Ordinance. He also express his opinion of the Legal interpretation of the sales tax on restaurant food purchases.

IV. APPROVAL OF MINUTES

Motion M/M by Kreider 2nd by Schink to approve the minutes of the July 15, 1997 meeting, as presented.

Note Voice vote. Motion carried unanimously.

APPROVAL OF AGENDA

Motion M/M by Prillips 2nd by Kreider to approve the agenda as presented.
Voice vote. Motion carried unanimously.

OLD BUSINESS

Re Codification:

Phillips requested that the Duke. Copies will be

review and revisit the the next meeting. A gen

handout prepared by followed. The

consensus of the members is that the need for a simple to understand and apply sales tax is required. Jones requested Robinson to solicit other cities with similar profiles to provide copies of sales tax ordinances.
No formal action was taken.

VII. NEW BUSINESS

Lodging Business Fee:

Discussion of background and options as to recommendations ensued.

Motion :M/M by Jones, 2nd by Kreider to recommend to council that a Transient Lodging Business Fee be levied at a rate of 3% per room per lodger night.

Vote Voice vote. Motion carried unanimously.

VIII. COMMITTEE CHAIR'S COMMENTS

Chairman Jones - Welcomed the new finance director, Stuart Robinson. He reminded the members to bring the sales tax questionnaires to the next meeting. It was also discussed that a utility rate study would be necessary and required planning and support if the Master Water and Sewer plan continues to progress.

IX. FINANCE DIRECTOR'S COMMENTS

Robinson - Announce the following;

1. The Sales Tax Audit would commence the third week of November..
2. The field work for the FY 97 Audit, period ending June 30, 1997 was completed.
3. The first quarter FY98 reports would be ready for the next committee meeting.

X. FINANCE COMMITTEE MEMBER COMMENTS

Mayor Phillips - Congratulated Robinson on his promotion. Requested a orientation session on budgeting for the newly elected officials of the City Council in January. Recommended the committee review the FY97 Financial Statements when available.

Schink - suggested advertising for the vacant chair formally held by Keith Cox.

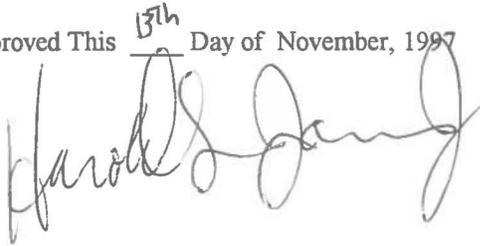
Osuji - reflected his concern that there is no system in place to enforce the maintenance of business records to verify sales subject to taxes.

XI. ADJOURNMENT

motion M/M by Schink, 2nd by Osuji to adjourned the meeting at 09:01 p.m.
Vote Voice vote. Motion carried unanimously.

Passed and Approved This 13th Day of November, 1997

Hal Jones
Chairman



ATTEST:

S. Robinson, Finance Director



I. CALL TO ORDER

The meeting was convened at 7:30 p.m. by Chairman Hal Jones at the City of Bethel Finance office.

II. ROLL CALL

Members Present:

Jones, Harold L
Kreider, Irv
Seo, Kilsoo
Phillips, Agnes
Schink, Clint

Members Absent:

Osuji, Zod

Guests Present:

Dave Trantham
Robinson, Stuart (Finance Director)

III. PEOPLE TO BE HEARD

Dave Trantham address the committee regarding the problem of boot legging and illegal sales of alcoholic beverages in the City. He also encourage the committee to make the enforcement of this problem as the highest priority for the City Staff and Council. It was express that the number of arrests for this crime is lower than previous years. The City staff and Council should support those citizens who make an effort and participate in community watches. The chairman thank Mr. Trantham for attending and sharing his opinions with the committee.

IV. APPROVAL OF MINUTES

motion M/M by Kreider 2nd by Phillips to approve the minutes of the October 09, 1997 meeting, as presented.

Vote Voice vote. Motion carried unanimously.

V. APPROVAL OF AGENDA

motion M/M by Prillips 2nd by Kreider to approve the agenda as presented.

Vote Voice vote. Motion carried unanimously.

VI. OLD BUSINESS

Sales Tax Re Codification:

Robinson provided reprints of the Questionnaire handout prepared by Bonnie Duke for the Committee as we'll as copies of other Alaskan City sales tax ordinances as requested by Mayor Phillips at the October meeting. It was directed that the Finance Director solicit additional copies of Sales tax ordinances from a greater area and include samples of Business License rules and regulations when available. These copies will be forwarded to Committee members when received. A general discussion followed. The consensus of the members is that the need for a simple to understand and apply sales tax is required. No formal action was taken.

VII. NEW BUSINESS

A. Civil Action against Bootleggers to recover Sales Tax:

Discussion of background and options as to recommendations ensued.

B. Civil Action against Bootleggers to recover Business License fees

C. Motion : M/M by Kreider , 2nd by Kilsoo to add New Business item; Visiting and Traveling
Vote Voice vote. Motion carried unanimously.

It was discussed, agreed and directed that the Director prepare and submit to the City Attorney a request for an opinion on the subject of Bootlegging Activity and recovery of taxes and fees collection.

VIII. COMMITTEE CHAIR'S COMMENTS

Chairman Jones - reminded the members focus on issues at hand and to establish priorities considered appropriate and in the best interest of the majority of stakeholders of the City.

IX. FINANCE DIRECTOR'S COMMENTS

Robinson - Announce the following;

1. The Sales Tax Audit would commence the on the following Monday and that the responses received were less than positive.

X. FINANCE COMMITTEE MEMBER COMMENTS

Mayor Phillips - Congratulated Robinson on his promotion. Requested a orientation session on budgeting for the newly elected officials of the City Council in January. Recommended the committee review the FY97 Financial Statements when available.

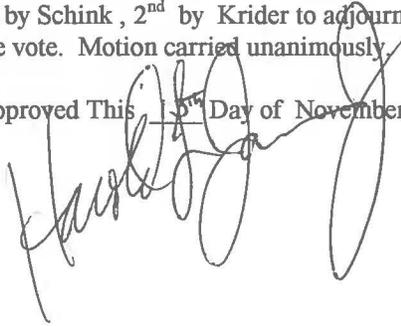
Schink - suggested advertising for the vacant chair formally held by Heath Cox.

XI. ADJOURNMENT

motion M/M by Schink, 2nd by Krider to adjourn the meeting at 09:41 p.m.
Vote Voice vote. Motion carried unanimously

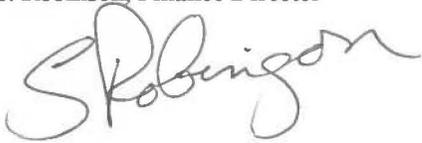
Passed and Approved This 15th Day of November, 1997

Hal Jones
Chairman



ATTEST:

S. Robinson, Finance Director



I. CALL TO ORDER

The meeting was convened at 7:40 p.m. by Chairman Hal Jones at the City of Bethel Finance office.

II. ROLL CALL

Members Present:

Jones, Harold L
Phillips, Agnes
Osuji, Zod
Seo, Kilsoo
Schink, Clint

Members Absent:

Kreider, Irv

Guests Present:

Darrell Jones
Robinson, Stuart (Finance Director)

III. PEOPLE TO BE HEARD

Darrell Jones address the committee regarding the problem of Sales Tax compliance and abuse of sales tax exemptions in the City and in particular his case lot sales store. He also encourage the committee to make the interpretation of the Sales Tax Code more favorable to the merchants who have to endure this problem. Many customers, (estimated to be 34% of the total retail sales in his store), blatantly misuse the privilege provided senior citizens, 60 years and older) to make tax free purchases. Examples of misuse include, purchases of cigarettes in large quantities and multiple brands, purchases of products with obvious limited use to seniors i.e. infant needs and foods. Another issue that creates an unnecessary burden on the seller, is the determination of a manufactured item for resale when the items sold may be identified as becoming a part of a product that is subject to the sales tax when the product is sold. For example items sold that are use in food preparation for a retail sales business is less than clearly eligible for sales tax. There were numerous examples of other tax anomalies when attempting to determine exemptions or exceptions were less that conducive to consistent and fair application of the tax law. The Committee continued to discuss and consider various aspects of the difficulty in tax application and intent. It was agreed that the City is in need of additional revenues to keep pace with community demands for better service but the question of making the Sales Tax enforcement and collection more efficient and less complex is clearly in need of review. The Committee recognizes the requirement to review and attempt to simplify the tax procedures and has been working for the better part of a year to make recommendations to the Council that will satisfy the greatest needs without compromising the values of the City's citizens. The chairman thank Mr. Jones for attending the meeting and sharing his opinions with the committee.

IV. APPROVAL OF MINUTES

motion M/M by Schink 2nd by Seo to approve the minutes of the November 13, 1997 meeting, as presented.

Vote Voice vote. Motion carried unanimously.

V. APPROVAL OF AGENDA

motion M/M by Schink, 2nd by Seo to approve the agenda as presented.

Vote Voice vote. Motion carried unanimously.

VI. OLD BUSINESS

A. Sales Tax Re Codification:

DRAFT MINUTES
REGULAR MEETING OF
THE FINANCE COMMITTEE
CITY OF BETHEL
Thursday, December 11, 1997
PAGE 3

Robinson provided reprints of the Questionnaire handout prepared by Bonnie Duke for the Committee and copies of other minutes and policy guidance from previous administrations regarding sales tax issues. A general discussion followed. The consensus of the members is that the need for a simple to understand and apply sales tax is required. One method discussed that would remove the need to question the applicability of eighteen exceptions and seven exemptions would be simply to eliminate all those conditions as a non taxable sale. It was noted that the costs to the City to evaluate the degree of compliance with the ordinance, by independent auditors was becoming less revenue enhancing. Case in point. The Finance director reminded the Committee that it costs the City \$ 4,500 plus out of pocket expenses for each one week audit during November. The amount determined to be uncollected and still owed based on calendar year 1996 sales audited exceeded \$ 100,000. The November audit scheduled fifteen tax payers of which four appeared for audit as requested. Obviously this return on this recent expenditure will be less than favorable compared to the spring participation earlier this year. Again the costs to retain legal counsel to determine the level of effort and expense must be reviewed before continuing this process as it is now undertaken. No formal action has been taken to recover the unpaid taxes as of this reporting period.

Chairman Jones review various conditions that would explain the situation that currently exists in the community at large relative to retail sales. One of the features which contributes to the confusion when determining exempt sales is the language regarding a retail sale. At issue is the common practice of not taxing a business that is known to be making purchases in order to utilize these purchases in his or her retail business or trade. It would appear to be a more equitable to assume that the distribution of the sales tax when applied to all sales at a reduced rate would conceivably generate more revenues, cost less to interpret, enforce, audit and administer, and be perceived as shared responsibility by the entire community.

M/M by Hal Jones, 2nd by Seo to recommend to Council to revise section 4.16.020 Imposition –Rate to be equal to three % on all retail sales – Exceptions. Discussion follow and Jones withdrew motion subject to forthcoming information required to determine impact of a tax reduction.

M/M by Mayor Phillips , 2nd by Seo to recommend to Council to revise section 4.16.020 Imposition –Rate – Exceptions.

To read “ There shall be levied and collected a sales tax of three percent on of the selling price on all retail transactions in the City except where prohibited by Federal or State laws”

A Roll Call vote was taken : Jones- No, Phillips-Yes, Osuji-Abstain, Kilseo-Yes, Schink-Abstain
Motion Failed to Pass

Mr. Schink added that he was abstaining until the estimated revenues at the new rate were evaluated. Mr. Osuji concurred. Mayor Phillips inquired of the Finance Director if those figures could be available at the next meeting.

In addition could there be a list prepared that could identify the twenty five highest sales tax collection payers.

B. Civil Action against Bootleggers to recover Sales Tax:

Discussion indicated that this item was directed to the City Attorney for action by City Council.

C. Civil Action against Bootleggers to recover Business License fees

Discussion indicated that this item was directed to the City Attorney for action by City Council.

VII. NEW BUSINESS

A. None

VIII. COMMITTEE CHAIR'S COMMENTS

Chairman Jones - Questions were directed to the Chairman regarding Cable Bulletin Board announcements which advertised the scheduled sales of items for resale in Bethel. The matter was directed to Code Enforcement for action.

IX. FINANCE DIRECTOR'S COMMENTS

Robinson - Announce the following;

1. There was an effort to establish a Sales Tax Appeal / Interpretation Committee being formed at the direction of the City Manager to provide a hearing service on a monthly basis to review requests from the public regarding sales tax issues. The Committee would include members from the community in addition to staff members to provide broader basis of opinion.

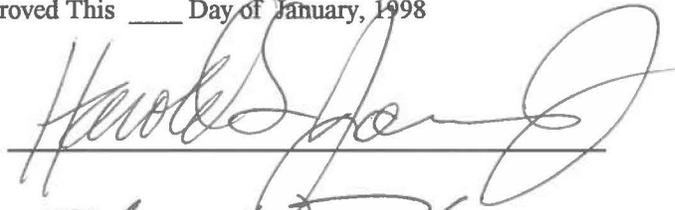
X. FINANCE COMMITTEE MEMBER COMMENTS

XI. ADJOURNMENT

motion M/M by Schink, 2nd by Phillips to adjourned the meeting at 09:55 p.m.
Vote Voice vote. Motion carried unanimously.

Passed and Approved This ____ Day of January, 1998

Hal Jones
Chairman




ATTEST:

S. Robinson, Finance Director