



MEMORANDUM

Alaska Municipal League Trip Report

Item Type: Informational

Prepared For: Mayor Lord and Homer City Council

Date: January 2, 2025

From: Donna Aderhold, Council member

As always, I appreciate the opportunity to attend the annual Alaska Municipal League (AML) conference December 11-13, 2024. Each of the conferences AML holds each year provide different opportunities to engage with other municipalities. The December conference is the time when we hear about legislative priorities from state legislators and attend a wide variety of breakout sessions. The annual AML business meeting is held on the last day of the conference, and I attended and voted on behalf of the Homer city council.

This year, I found myself attending sessions that followed two tracks: municipal taxes and asset management.

Municipal Taxes

As we know, Homer receives most of its general fund revenues from sales and property taxes. I attended sessions relating to both.

The sales tax session included a presentation by Clinton Singletary, Alaska Remote Sellers Sales Tax Commission (ARSSTC) manager, about marketplace facilitators as a tax trend. So, what the heck is a marketplace facilitator, you rightly ask? (I had no idea what the guy was talking about when I entered the room.) They include online marketplaces that often sell other people's goods (e.g., Amazon, eBay, Walmart), short-term rental (STR) marketplaces (e.g., Airbnb, VRBO, Booking.com), service-focused marketplaces (e.g., GrubHub, DoorDash, Uber Eats, Instacart), and travel marketplaces (e.g., Orbitz, Expedia, Travelocity, Kayak, Tripadvisor, Turo). Here's the upshot:

- Only the online marketplaces are currently taxed through ARSSTC, and we need to think about the other marketplaces and how we may want to coordinate with the Kenai Peninsula Borough assembly to update borough code for improved sales tax collection. Homer is a charter member of ARSSTC, and the remote sales taxes we receive continue to increase annually as more remote sellers begin collecting municipal taxes properly in Alaska.
- ARSSTC recognizes the challenges municipalities currently have with STR regulation. They recommend adopting marketplace facilitator collection language in municipal code (define marketplace facilitator, specifically focusing on STRs and ensuring tax imposition

code section has language requiring collection of taxes by the marketplace). AML can assist with code drafting and review.

- Service-focused marketplaces (“delivery network companies”) are beginning to come to Homer but are more prevalent in larger municipalities. We need to become educated on the challenges here. Sales tax enforcement is problematic as the local drivers do not control the app/website and cannot make tax collection happen. One of many issues is cross-jurisdictional deliveries, such as a person in Fritz Creek ordering food from a restaurant in Homer—does the city or borough tax prevail in this instance? ARSSTC has developed a definition for delivery network company based on other state’s models.
- Travel marketplaces have their own set of interesting issues: local taxes are not actually being collected, they are estimated; the full sales price is not being taxed because the hotels themselves do not control tax collection; there are commission fees; transactions may be bundled to include flights, hotel, and rental car, which are each treated differently in tax code. The solutions to this problem are complex and it may be worth spending time at some point to try to understand how often visitors to Homer use these marketplaces, maybe with the help of the Chamber of Commerce.

The property tax session included presentations by Jack Gadamus, Anchorage’s tax assessor, who provided a primer on property tax statute and assessment methods in Alaska, and Matt Mead and Noah Star, Landye Bennett Blumstein LLP, who discussed economic property tax exemptions.

Takeaways include the following:

- State statute is the foundation of assessments.
- Property tax assessments are derived from market data and property characteristics.
- Because Alaska is a non-disclosure state, tax assessors collect and analyze data on market trends, specific property data, and specific market data, such as sales and rent, to determine property taxes.
- There are three approaches to determine value: cost, sales comparison, and income.
- There is a process for property owners to appeal their assessed value each year, the burden of proof to demonstrate the property tax is too high is on the appellant.
- The purpose of property tax exemptions is to attract or spur industry (they can be targeted to a specific sector such as health care, manufacturing, etc.) or to attract services the municipality would otherwise have to provide, potentially at greater cost.
- While the exemption decreases property tax revenue, the intent is to increase local employment and economic development; property taxes may also increase after the exemption period of years expires.
- Economic tax exemptions are a tool of local control. Local needs could include:
 - Encouraging construction on vacant land
 - Encouraging abatements of deteriorated properties
 - Create jobs
 - Convert blighted properties into residential or commercial usage
 - Encourage affordable housing development

- There is a lot of debate and litigation around economic exemptions and their effectiveness and equity. Any exemption should be thoroughly discussed and vetted by municipal attorneys.

Asset Management

I attended several sessions related to planning; the presentations ranged from different types of state transportation plans to local comprehensive planning processes to capital improvement plans (CIPs). But what really caught my attention during these sessions was asset management and how it relates to the CIP process. Here I will focus on what I gleaned from one speaker regarding asset management who presented during several sessions.

Lachlan MacLean, with icInfrastructure, talked about asset planning as part of the CIP process, which he prefers to call a Capital Investment Plan. The reason I focus here is because for many of my years on council we have talked about the need to know the city's assets and plan for when they will need to be replaced, though many of our discussions have focused on the city's fleet. MacLean advocates for an asset registry, a single list of everything the municipality owns (including the asphalt and gravel on the roads), when it was acquired, when it will need to be replaced, an estimated replacement cost, etc. He suggests that the asset registry should be the foundation for the CIP.

MacLean starts his presentation with a simple slide:

Assets Services Quality of Life

By which he means that municipalities are all about the quality of life of their residents. They perform services to support quality of life. And the services depend on the municipality's assets. I really like that phrasing. Our job is to support our community's quality of life.

As we are all well aware, we are dealing with aging infrastructure, limited funding sources (replacement costs, reserves, etc.), staffing, community expectations, population changes, and climate issues. Asset management can be defined as the coordinated activity of an organization to realize value from its assets.

CIP planning is typically a 4–5-year forecast and usually includes the big new capital projects a community wants to develop. This outlook does not necessarily account for aging infrastructure or a huge capital asset replacement that may be needed 10–20 years out that needs to be planned for well in advance.

Sustainable service delivery relies on the balances of the services, risk, and cost. The balance can be controlled with asset management.

Each asset has a life cycle—acquisition, operation, maintenance, renewal/disposal. The upfront capital cost of an asset can be as little as 20% of the full lifecycle cost and we should consider whole life costs when making decisions.

Moving toward an asset registry starts where we are. Each department has current practices for tracking assets, including the finance department that tracks asset depreciation. Pulling all these lists, spreadsheets, databases, and GIS shapefiles together will build an asset management framework that

will become the asset registry. This will help staff, council, and the public better understand what our future holds and what we are saving for and spending money on. It will help streamline future budgeting processes, increase grant funding success, and improve cost controls.

AML has an asset management learning hub that is free and self-paced. I intend to work through the course materials and encourage other council members to do the same. You can sign up with your municipal email through this link: <https://aml.icinfrastructure.com/>.

Business Meeting

The business meeting was held on Friday morning. Senate president Gary Stevens and House Majority Leader Bryce Edgmon discussed the upcoming legislative session and answered questions. We voted on resolutions, all of which passed with clear majority support. We also ranked priorities (there were 28 of them) and the results of the prioritization were released to the membership on December 20. The top 5 include:

- State maintains an adequate level of services
- Increase funding for municipal public safety obligations (police training, community jails, and prosecutors and public defenders)
- Cost-shifting of state expenses and programs to municipalities
- Prompt payment of community assistance and other state payments or pass-throughs to municipalities
- Increase investment in school construction and deferred maintenance (including by providing a base facilities allocation)

We also elected officers. Lisa Parker of Soldotna is the new AML president, Glenda Ledford of Wasilla is the vice president, and I am now the treasurer.