



## Legislation Text

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**File #:** RES 17-0003, **Version:** 1

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### **ITEM TITLE:**

#17-03 - Adopting an Alternate Allocation Method for the FY17 Shared Fisheries Business Tax Program and Certifying That This Allocation Method Fairly Represents the Distribution of Significant Effects of Fisheries Business Activity in FMA 15: Prince William Sound

**SUBMITTED BY:** Lisa Von Barga, CED Director

### **FISCAL NOTES:**

Expenditure Required: N/A

Unencumbered Balance: N/A

Funding Source: N/A

### **RECOMMENDATION:**

Approve Resolution #17-03 Adopting an Alternate Allocation Method for the FY17 Shared Fisheries Business Tax Program and Certifying that this Allocation Method Fairly Represents the Distribution of Significant Effects of Fisheries Business Activity in FMA 15: Prince William Sound.

### **SUMMARY STATEMENT:**

The purpose of the Shared Fisheries Business Tax Program is to provide for an annual sharing of fish tax (collected outside municipal boundaries) to municipalities that can demonstrate they suffered significant effects from fisheries business activities. This program is administered separately from the state fish tax sharing program administered by the Department of Revenue which shares fish tax revenues collected inside municipal boundaries. To be eligible for an allocation under this program, applicants must:

1. Be a municipality (city or borough); and
2. Demonstrate the municipality suffered significant effects as a result of fisheries business activity that occurred within its respective fisheries management area(s).

There is both a standard and alternate method for calculating the shared fisheries business tax. Under the Alternate Method, all incorporated jurisdictions within a management area can agree to a specific type of allocation that benefits each community. For years, Valdez has joined with the other communities in the Prince William Sound Management Area agreeing to equal distribution between all three entities (Cordova, Whittier and Valdez). For more than a decade Valdez has taken the lead in requesting resolutions of support from each community; preparing the combined packet of applications/resolutions and submitting it to the state on behalf of the whole fisheries management area.

Three years ago, Cordova proposed a different allocation method based on the belief their community suffers more impact than Valdez, and significantly more impact than Whittier. Rather than each community receiving a 1/3 share (33%), Cordova proposed the following distribution: Cordova (55%); Valdez (35%); Whittier (10%).

The Shared Fisheries Business Tax is derived from fish processed inside the fisheries management unit, but outside the municipal boundaries of any of the municipalities. The allocation method should represent the

impact from this processing on each individual community. There are many different allocation methods used around the state. Prince

William Sound has always split equally among the cities. Some areas split based entirely on population. Others take a portion of the tax and split it equally among the communities and then allocate the remainder based on population.

It is Cordova's contention that their community is the most impacted by fisheries related business and because of this they should have a larger share. They agree Valdez is also significantly impacted, just not as much as Cordova. However, they feel Whittier has very little fisheries related impacts. Therefore, they suggested the 55:35:10 allocation.

In late 2011 the City Council rejected Cordova's request to change the allocation on the basis the request was coming in at the "last minute" giving Whittier insufficient time to adjust as the newly proposed allocation would mean a significant decrease for them. Ultimately, Cordova acquiesced and a three-way split was requested from the state. The decision was made to begin discussions about Cordova's new allocation proposal early in 2012. In 2012 representatives from all three communities participated in one conference call late in the summer. The call was not productive and no decisions were made. In late 2012 when the application period opened for the Shared Fisheries Business Tax, Cordova again proposed a new allocation. They postulated they would submit a long form application proving the fisheries impact to Cordova.

If all communities in a fisheries management area don't agree on an allocation method it forces all of the communities to prove their impact and desired share. In December of 2012 the Council gave direction that Valdez would also submit a long form application proving impacts to the community if Cordova intended to do so. Upon hearing this decision by the Valdez City Council, Cordova agreed to the historical three-way split.

In 2013 applications were distributed to communities in late November. This was a change from previous years. The completed applications used to be due in December. Now they are due in February. Immediately upon receipt of the application packet in 2013 staff emailed the City Clerks of both Cordova and Whittier. Cordova agreed to the three-way split. In 2014 Cordova made no attempt to challenge the three-way split methodology. In 2015, Cordova also agreed to the three-way split.

On January 20<sup>th</sup> staff contacted the State because the annual application for the Shared Fisheries Business Tax had not been received. The State indicated applications are being distributed later than normal, but the deadline will also be extended. To get ahead of the curve, staff is making the assumption Cordova and Whittier will both agree to a three-way split again this year. The attached resolution is required as the City's application for the State FY17 funding. Both Cordova and Whittier will need to pass the same resolution.

Below is a table of the Shared Fisheries Business Tax revenue for the past several years.  
2004-2016 City of Valdez:

Shared Fisheries Business Tax Revenue			
2004	\$22,651.30	2011	\$24,852.09
2005	\$38,557.99	2012	\$65,137.31
2006	\$25,460.48	2013	\$31,221.57
2007	\$47,299.67	2014	\$32,607.88
2008	\$22,458.09	2015	\$38,684.27
2009	\$49,628.85	2016	\$28,503.60
2010	\$37,699.01	Total 2004-2016	\$464,762.11

Prior to 2009, the Shared Fisheries Business Tax was received as revenue into the General Fund. Since 2009 the revenue has been received into the Harbor Fund and is used toward the operations, maintenance, and long-term replacement costs of the Harbor.