

CITY OF UNALASKA  
UNALASKA, ALASKA

RESOLUTION 2023-09

A RESOLUTION OF THE UNALASKA CITY COUNCIL AMENDING THE FUNDING FORMULA GUIDE FOR THE COMMUNITY SUPPORT GRANT PROGRAM TO INCLUDE TOBACCO EXCISE TAX REVENUE

WHEREAS, the City of Unalaska acknowledges, appreciates and supports the services provided to the community by non-profit agencies; and

WHEREAS, in the past the City of Unalaska provided financial aid through the Community Support Grant Program from two sources, the General Fund and the Bed Tax Fund; and

WHEREAS, in 1991 the City enacted a Hotel-Motel Tax, also known as Bed Tax, dedicating the revenue received for visitor industries, for historical and cultural projects, and programs that increase knowledge and appreciation for the community of Unalaska, and its surroundings; and

WHEREAS, in 2021 the City enacted a Tobacco Excise Tax, dedicating the revenue to the Community Support Grant Program for the benefit of public health programs or tobacco education and cessation programs in Unalaska; and

WHEREAS, in 2019 the City Council authorized a formula to guide funding for the Community Support Grant Program as three and one half percent (3.5%) of the average General Fund for the five most recently completed fiscal years, plus the Bed Tax Fund for the most recently completed fiscal year; and

WHEREAS, the City Council would like to add the Tobacco Excise Tax revenue to the funding formula.

NOW THEREFORE BE IT RESOLVED that the Unalaska City Council authorizes a new funding guide for the Community Support Grant Program to be three and one half percent (3.5%) of the average General Fund revenue for the five most recently completed fiscal years; plus the Bed Tax Fund for the most recently completed fiscal year; plus the Tobacco Excise Tax Fund for the most recently completed fiscal year.

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on February 28, 2023.

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Vincent M. Tutiakoff, Sr.  
Mayor

ATTEST:

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Marjie Veeder, CMC  
City Clerk

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## MEMORANDUM TO COUNCIL

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To: Mayor and City Council Members  
From: Marjie Veeder, City Clerk  
Through: Chris Hladick, Interim City Manager  
Date: March 28, 2023  
Re: Resolution 2023-09: Amending the funding formula guide for the Community Support Grant Program to include Tobacco Excise Tax revenue

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**SUMMARY:** In 2019 Council adopted a resolution setting out the funding formula guide for the Community Support Grant Program. In 2021 Council enacted an excise tax on tobacco products, dedicating the revenue to the Community Support Grant Program for public health or tobacco education and cessation programs. Resolution 2023-09 adds the tobacco tax revenue to the funding formula guide. Staff recommends approval.

**PREVIOUS COUNCIL ACTION:** Council adopted Resolution 2019-64 (copy attached) on December 12, 2019, setting out the funding formula guide as three and one half percent (3.5%) of the average General Fund for the five most recently completed fiscal years, plus the Bed Tax Fund for the most recently completed fiscal year. On February 14, 2023, Council adopted their goals for the FY24 Budget, and included the Tobacco Tax revenue in the Community Support Grant Program funding formula.

**BACKGROUND:** With the enactment of the Tobacco Excise Tax and dedication of that revenue to the Community Support Grant Program for the benefit of public health programs or tobacco education and cessation programs in Unalaska, it makes sense to amend the funding formula to include tobacco tax revenue.

**DISCUSSION:** The original funding formula for the Community Support Grant Program, as described in the approved budget goals before 2019, was 3.4642% of the average of general fund revenues from the previous five years. Revenues do not include "Other Finance Sources."

Additionally, the formula also includes Bed Tax revenue for the most recently completed fiscal year. The dedication language for the Bed Tax revenue is to fund visitor industries, historical and cultural projects, and programs that increase knowledge and appreciation for the community of Unalaska and its surroundings.

To be clear, the "most recently completed fiscal year" means that for the FY24 budget cycle, the general fund average used will be FY18 - FY22; and the most recently completed fiscal year for bed tax and tobacco tax will be FY22. The FY24 budget will be adopted before the completion of FY23, the present fiscal year.

**ALTERNATIVES:** This is viewed as a housekeeping measure, as the use of Tobacco Tax revenue is included in our Code of Ordinances at Chapter 6.56. Council may choose to amend the percentage of General Fund Revenue available in the Community Support Grant Program.

**FINANCIAL IMPLICATIONS:** The addition of tobacco tax revenue will increase funds available to the Community Support Grant Program, keeping in mind the allowed uses of tobacco tax funds.

The Tobacco Excise Tax became effective on October 1, 2021, with retailers paying the tax on cigarettes and tobacco products brought into Unalaska for commercial purposes. The first reporting period was the 4<sup>th</sup> Quarter of 2021 covering October, November & December 2021, with the first reports and payments in January 2022. FY22 tobacco tax revenue available for grants in FY24 is \$156,414.

Because this is an excise tax not a sales tax, revenue is reported and received on a quarterly basis as retailers make bulk purchases of product. There may be quarters when no revenue is realized. After we have more years of tobacco tax revenue history, annual revenue estimates may more easily be formulated.

**STAFF RECOMMENDATION:** Staff recommends adoption, but makes no recommendation as to the percentage of General Fund Revenue available to the community support grant program.

**PROPOSED MOTION:** I move to adopt Resolution 2023-09.

**CITY MANAGER COMMENTS:** This resolution clarifies the funding formula guide for the Community Support Grant Program to include Tobacco Excise Tax Revenue. I support Staff's Recommendation.

**ATTACHMENTS:** Resolution 2019-64, increasing the funding formula for the Community Support Grant Program

CITY OF UNALASKA  
UNALASKA, ALASKA

RESOLUTION 2019-64

A RESOLUTION OF THE UNALASKA CITY COUNCIL AUTHORIZING AN INCREASE TO THE FORMULA PERCENTAGE GUIDE IN THE COMMUNITY SUPPORT GRANT PROGRAM TO 3.5% OF THE AVERAGE GENERAL FUND FOR THE FIVE MOST RECENTLY COMPLETED FISCAL YEARS, PLUS THE BED TAX FUND FOR THE MOST RECENT COMPLETED FISCAL YEAR

WHEREAS, the City of Unalaska acknowledges, appreciates and supports the services provided to the community by non-profit agencies; and

WHEREAS, the City of Unalaska provides financial aid through the Community Support Grant Program from two sources, the General Fund and the Bed Tax Fund; and

WHEREAS, for many years the City of Unalaska's funding guide for the Community Support Grant program has been 3.4642% of the average General Fund for the five most recently completed fiscal years and the Bed Tax Fund for the most recent completed fiscal year; and

WHEREAS, the City Council wishes to round up the funding guide percentage for the General Fund portion to 3.5% to simplify the calculation.

NOW THEREFORE BE IT RESOLVED that the Unalaska City Council authorizes the new funding guide for the Community Support Grant Program to be three and one half percent (3.5%) of the average General Fund for the five most recently completed fiscal years, plus the Bed Tax Fund for the most recent completed fiscal year.

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on December 12, 2019.

  
Vincent M. Tutiakoff, Sr.  
Mayor

ATTEST:

  
Marjie Veeder  
City Clerk



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## MEMORANDUM TO COUNCIL

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To: Mayor and City Council Members  
From: William Homka, Planning Director  
Through: Erin Reinders, City Manager  
Date: December 12, 2019  
Re: Resolution 2019-64: Authorizing an increase to the formula percentage guide in the Community Support Grant program to 3.5% of the average General Fund for the five most recently completed fiscal years, plus the bed tax fund for the most recently completed fiscal year

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**SUMMARY:** Each year Council reviews the Community Support Grant Program guidelines, application and supporting documents, and then determines the funding level. During the annual presentation to council on Tuesday, November 26, 2019, Council directed staff to increase the formula percentage from 3.4642% to 3.5%, resulting in a \$16,528 increase in available funds for FY21.

**PREVIOUS COUNCIL ACTION:** On November 26, 2019, Council requested the City Manager and staff increase the percentage of General Fund money for the Community Support Program from 3.4642% to 3.5% to round the percentage to a single decimal place. In previous years, Council has taken this formula as a guideline and disbursed more in most years, and less in other years.

**BACKGROUND:** Council sets the annual funding level for the Community Support Program with their budget goals in January. The total community support funding available is calculated using an established formula which is 3.4642% of the average revenue for the General Fund for the five most recently completed fiscal years and Bed Tax fund. At the Council meeting on November 26, 2019, Planning Department staff presented Council with the annual summary for the Community Support Program application materials, schedule and budget. Council suggested staff raise the percentage to 3.5%.

**DISCUSSION:** In researching the Community Support Grant Program, staff discovered the original funding formula was established in the Community Support Grant Guidelines at the time the program was developed. This is the funding formula that is described in the approved budget goals over the past several years. The guidelines established the funding amount to be 3.4642% of the average of general fund revenues from the previous five years. Revenues do not include "Other Finance Sources." In addition, the amount also includes money obtained from the Bed Tax Fund in the last completed fiscal year. For this year, the Bed Tax Fund would be FY18.

**ALTERNATIVES:** If City Council chooses not to revise the percentage, the primary alternative would be to maintain the 3.4642% factor, which would make \$1,139,499 available. A second alternative would be to increase or decrease the fund an unspecified amount. The second alternative is not a recommended course of action as it provides no guidance to applicants, staff or Council.

**FINANCIAL IMPLICATIONS:** If Council increases the formula percentage to 3.5%, it would add an additional \$16,528 to the FY21 program for a total of \$1,150,087. This includes up to all of the Bed Tax collected in FY18. A change of 0.0358% on a \$1.15 million program is negligible in terms of overall scale, but makes the formula more clear, and could make a meaningful difference to a non-profit.

	General Fund	Bed Tax Fund			
FY 2014	34,376,971.00				
FY 2015	34,525,170.00				
FY 2016	30,723,626.00				
FY 2017	34,371,441.00				
FY 2018	<u>30,300,957.00</u>	<u>169,703.00</u>			
	164,298,165.00	169,703.00	-		
Average	32,859,633.00	169,703.00	33,029,336.00	3.4642 1 yr	1,139,499.00
			3.5000%	3.5 1 yr	1,156,027.00
				Difference	16,528.00

**STAFF RECOMMENDATION:** Staff recommends Council approve the increase of the formula percentage from 3.4642% to 3.5% for the Community Support Grant Program beginning in FY21.

**PROPOSED MOTION:** I move to adopt Resolution 2019-64.

**CITY MANAGER COMMENTS:** This resolution helps to clarify the guidance provided to non-profits, staff and City Council participating in and administering the Community Support Program. I support the staff recommendation.