Title 3

REVENUE AND FINANCE

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Chapter 3.04

PROPERTY TAXATION

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For statutory provisions regarding municipal property taxes, see AS Chapter 29.45.

3.04.010 Definitions.

For the purpose of this chapter, the following terms, phrases, words and their derivations have the meaning given in this section. When not inconsistent with the context, words used in the present tense include the future, words in the plural number include the singular number, and words in the singular number include the plural number. The word “shall” is always mandatory and not merely directory.

“Assessed value” or “full and true value” of real and/or personal property is that amount, in terms of money, which most probably would result from a sale of the property, at the time of assessment, between a buyer and seller, both of whom are well informed, willing and able to act, but are not required to so act, and when each acts in his own self-interest.

“Assessor” means the city assessor.

“Board of equalization” means the mayor and council convened as a board, in accordance with law, for the purpose of equalizing the assessments of real and personal property in the city.

“City” means the city of Craig.

“City clerk” means the clerk of the city.

“City treasurer” means the treasurer of the city.

“Equalized value” is the assessed value, established by the board of equalization in accordance with law, for general tax purposes.

“Float house” means any habitable structure or dwelling upon a barge or floats, whether fixed or transient, and used primarily as a residence, as contrasted with a sport fishing boat or commercial vessel.

“Improvements” means and includes all buildings, structures, fences, landscaping and additions erected in or upon land.

“Lien” or “tax lien” embraces liens for penalties and interest and costs as well as unpaid taxes.

“Mobile home” means all house trailers, trailer coaches and similar factory-built units used or intended to be used for residential, office or commercial purposes and attached to the land or connected to water, gas, electric or sewerage facilities.

“Person” means and includes any individual, trustee, receiver, firm, partnership, joint venture, syndicate, association, corporation, trust or any other group acting as a unit.

“Real property” or “land” means any estate or interest therein, including permit or license rights and improvements thereon, including float houses as defined in subsection (H) of this section, and mobile homes as described in subsection (K) of this section, and includes all timber on patented lands. [Ord. 464 § 4, 1998; Ord. 297 § 4, 1990; Ord. 225 § 5, 1984.]


The laws of the state relating to the assessment, levy and collection of general taxes for school and municipal purposes are adopted and incorporated in this chapter, as if fully set out in this chapter. [Ord. 225 § 5, 1984.]

3.04.030 Property subject to assessment, levy and taxation.

All real and personal property (as defined in this chapter) within the city which is not expressly exempt by law is subject to annual assessment, levy and general taxation for school and municipal purposes at its full and true value as defined in CMC 3.04.010.
A. The following is exempt from property tax:
   1. The Klawock Landfill, that and only that which services both the city of Craig and the city of Klawock which is owned by Klawock Heenya Corporation but soon to be turned over to the city of Klawock as part of a 14(C)3 reconveyance which is 10 acres located in Section 32, T. 73 S., R. 81 E., CRM, is to be exempt for five years.

   This exemption is granted according to specific eligibility requirements in AS 29.45.050(m) which states that a municipality may by ordinance exempt economic development property from taxation, including property conveyed under 43 U.S.C. 1601 – 1629e (Alaska Native Claims Settlement Act) for up to five years.

   A written application for this exemption has been presented.

   2. Interest in Low-Income Housing. An interest, other than record ownership, in real property of an individual residing in the property is exempt from real property taxes if the property has been developed, improved, or acquired with federal funds for low-income housing and is owned or managed as low-income housing by the state building authority or a regional housing authority formed under AS 18.55.996. This subsection does not prohibit the city from receiving payments in lieu of taxes authorized under federal law. [Ord. 556 § 4, 2006; Ord. 318 § 6, 1991; Ord. 225 § 5, 1984.]

3.04.035 Senior citizen and disabled veteran property exemption qualifications.

A. To be eligible for a property tax exemption under AS 29.45.030(e), the individual applying for an exemption must also meet requirements under one of the following subsections:

   1. The individual shall be eligible for a permanent fund dividend under AS 43.23.005 for that same year or for the immediately preceding year; or

   2. If the individual has not applied or does not apply for one or both of the permanent fund dividends, the individual would have been eligible for one of the permanent fund dividends identified in subsection (A)(1) of this section had the individual applied.

   3. The city clerk may require proof of eligibility for subsections (A)(1) and (A)(2) of this section for the property tax exemption. [Ord. 540 § 4, 2004.]

3.04.040 Method and date of assessment.

A. All taxable real property shall be assessed each year by the assessor at its full and true value.

B. The assessor shall assess all real property in the city in the name of the person in whose name the property was listed as the owner as of January 1st of each year. In case the owner is unknown, the assessor shall show in his records “owner unknown.” The valuation so assessed shall be the value as of January 1st of each year.

C. The assessor shall maintain a record of all assessments and shall show therein the name of the owner or reputed owner, if known, the description of the land and improvements, the assessed value of the land, improvements, and such other data as may be necessary to ensure that the assessed value represents the full and true value of the property assessed.

D. The assessor shall complete the assessment of all the real property and deliver the assessment roll to the city clerk on or before the first day of March each year. The clerk shall, on or before April 1st of each year, notify each owner of the assessed value established. The notice shall contain the property description, the value of the real properties separately, and the date(s) of the tax equalization hearing, and shall be mailed at least 30 days prior to the date of the equalization hearing.

E. The assessor, upon completion of the annual assessment, shall transmit the records of assessment to the clerk or treasurer, together with a certificate which shall contain the number of lots and/or parcels of real property assessed and together with the total assessed value of each general class, and certification that the assessed values established represent “full and true value” in accordance with the requirements of this chapter.

F. (Reserved).

G. The assessor and his authorized representative(s), when bearing identification from the city, shall have the right to enter upon and inspect real property for the purpose of assessing the same. [Ord. 506 § 4, 2002; Ord. 464 § 4, 1998; Ord. 225 § 5, 1984.]
3.04.050 Classification of property.
Real property is treated as one general class; provided, that the assessor may make such subdivision thereof as may be necessary or desirable in determining full and true value; provided further, that any such subdivisions as may be made shall be established to ensure uniformity in the assessment of this general class of property. [Ord. 464 § 4, 1998; Ord. 225 § 5, 1984.]

3.04.060 Right of protest – Board of equalization.
A. Owners of taxed property shall have the right to protest, before the board of equalization, the assessed value established on their properties. Protests shall be submitted to the city clerk or treasurer in writing 30 days from the date the notice of assessment is mailed to the property owner. The assessor may provide forms to facilitate submittal of written protests. Persons who have complied with this requirement for advance filing of protests may appear (in person or by their authorized representative) before the board of equalization to answer the board’s questions and/or orally explain their written protest. Only protests which have met the advance written filing requirement will be heard or considered by the board of equalization.

B. The board of equalization, except as otherwise provided by the council, shall meet on the third Thursday of May annually at 7:00 p.m., or at an earlier date as may be specified in the assessment notice, for the purposes of reviewing and revising the assessed value established by the assessor, and may, upon proper evidence and conformable to justice, increase or decrease the assessed value in individual cases, and when so reviewed and revised and finally approved by the board, the equalized value so established shall be deemed to be the true basis for the levy and assessment of taxes, and no changes shall thereafter be made by the board. The board shall meet for the minimum of one hour or until all protests from property owners regarding assessed value have been heard.

C. The clerk or treasurer shall record the actions of the board of equalization in the council journal of proceedings and enter upon the assessment records all revisions in assessed value made by the board. [Ord. 591 § 4, 2008; Ord. 225 § 5, 1984.]

3.04.070 Tax levy – Lien.
A. Upon the adjournment of the board of equalization, the council shall meet to determine the amount of money necessary to be raised from general property taxes for school and municipal purposes; and the council shall levy a general tax, for school and municipal purposes, upon all property in the city in such amount, not to exceed the limitation imposed by law, as may be necessary for such purposes; provided, however, that such levy shall not be applicable to real and personal property exempt by law. The rate of levy shall be established by the city council by resolution before June 15th, and by July 1st the city clerk-treasurer shall mail tax statements setting out the levy, the dates when taxes are payable and delinquent and penalties and interest.

B. All general taxes levied upon real or personal property by the council shall be a lien upon the property assessed as of the date of levy, and such lien shall be prior and paramount to all other liens or encumbrances against the real property assessed. [Ord. 279 § 4, 1989; Ord. 225 § 5, 1984.]

3.04.080 Notice of taxes due and payable.
A. Within 30 days following the levy of general taxes by the council, the clerk or treasurer shall cause a notice to be published in a newspaper of general circulation in the city once a week for three successive weeks, specifying:
   1. That city property taxes for school and municipal purposes are due and payable at the office of the clerk or treasurer, City Hall, during regular office hours;
   2. The date property taxes become delinquent, and the penalty and interest chargeable on delinquent taxes;
   3. That the remedy of sale will be exercised to collect the delinquent taxes on real property in accordance with law, and that the remedy of obtaining a court judgment (for later execution against personal property) will be exercised to collect delinquent taxes on personal property in accordance with law;
   4. That certain properties, which shall be listed, are assessed to unknown owners. The listing shall contain the same description and information as required on tax bills.

B. Within 30 days following the levy of general taxes by the council, the clerk or treasurer shall
compute the taxes and bill each owner the amount of taxes due. Such bill shall be mailed to the address shown on the assessment records. The tax bill shall contain the owner’s name, property description, assessed value of each property separately, the full amount of taxes due for the year, the delinquent date, and penalty and interest chargeable on delinquent taxes.

C. All general taxes shall become delinquent unless paid on or before September 30th of each year except as provided under subsection (C)(1) of this section.

1. A taxpayer may have the option to pay any tax statement over $50.00 in two installments, the first to be at least half of the amount due by September 30th of each tax year, and the remaining or second half to be paid by December 31st of the same year.

2. Taxes unpaid after the appropriate due date shall become delinquent. The postmarked date on payments received by mail shall serve to establish date received. [Ord. 297 § 4, 1990; Ord. 225 § 5, 1984.]

3.04.090 Delinquent taxes.

A. The clerk or treasurer shall declare taxes delinquent if not paid by September 30th and shall charge and collect a penalty of 10 percent of the amount delinquent for property tax paid after September 30th but before November 1st and an additional 10 percent of the amount delinquent if paid after October 31st, and interest at the rate of 15 percent per year, from the due date until paid in full. If the first half of property taxes are paid before September 30th and the second half becomes delinquent after December 31st, a penalty of 20 percent will be charged and the taxes become delinquent until paid in full.

B. (Reserved).

C. Every year, within 120 days following the date of delinquency for general taxes on real property, including mobile homes valued at more than $10,000, and all float houses, or at more frequent intervals as the council shall by resolution direct, the clerk or treasurer shall prepare a delinquent tax roll and proceed with the collection of such delinquent taxes by remedy or advertisement and sale in accordance with the provisions of state law, and the petition for judgment and foreclosure of liens shall assign and demand payment of $200.00 per parcel as costs and attorneys’ fees associated with undertaking judicial foreclosure.

D. If the tax on property described in AS 29.45.070 (mobile homes and similar property used or intended to be used for residential, office or commercial purposes and attached to the land or connected to water, gas, electric, or sewage facilities and valued less than $10,000), excluding float houses for purposes of this subsection only, or on a leasehold interest in tax exempt property is not paid when due, the city may enforce the tax by a personal action against the delinquent taxpayer brought in a court of competent jurisdiction, in addition to other remedies available to the city to enforce the lien. [Ord. 592 § 4, 2008; Ord. 464 § 4, 1998; Ord. 305 § 4, 1990; Ord. 297 § 4, 1990; Ord. 279 § 5, 1989; Ord. 225 § 5, 1984.]

3.04.100 Duties of clerk or treasurer and assessor.

A. The assessor is charged with the duty and authorized to do all things necessary to carry out the provisions of this chapter relating to the annual assessment of property.

B. The clerk or treasurer shall be the collector of general taxes, including penalty and interest as provided herein; and, upon completion of equalization of assessments and levy of the taxes by the council, is authorized and empowered to do all things necessary to carry out the provisions of this chapter relating to the collection of taxes. In the performance of this duty, the clerk or treasurer shall receive such payments at and during the regular established office hours and issue a receipt for each such payment received.

C. The clerk or treasurer is authorized to make corrections in the assessment and billing records where an error, omission or double assessment has occurred. All such corrections made shall be explained by appropriate remarks signed by the clerk or treasurer.

D. Property owners shall notify the city of any new spaces for rent or vacancies for mobile homes to be used for residential, office or commercial purposes. Property owners shall also keep the city informed as to who the owners of the mobile homes are and their addresses, if possible, and notify the mobile home owners that they are subject to property tax and must register with the city. [Ord. 297 § 4, 1990; Ord. 225 § 5, 1984.]
3.04.110  **Penalty for violation.**  
It is unlawful for any person to violate any of the provisions of this chapter. For knowingly failing to file a tax statement required by ordinance or knowingly making a false affidavit to a statement required by a tax ordinance relative to the amount, location, kind or value of property subject to taxation, with intent to evade the taxation penalty not to exceed a fine of $1,000 or imprisonment for 90 days may be imposed. [Ord. 279 § 6, 1989.]

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3.08.010  **Definitions.**  
"Buyer," "consumer" and "person" means and includes without limiting the scope thereof, every individual, receiver, assignee, trustee in bankruptcy, trust estate, firm, co-partnership, joint venture, club, company, business trust, corporation, association, society or any group of individuals acting as a unit, whether mutual, cooperative, fraternal, nonprofit or otherwise.

"Marijuana and marijuana products" has the meaning provided in CMC 5.10.800.

"Retail sale" means any sale of real or tangible personal property, including barter, credit, installment and conditional sales, for any purpose other than resale in the regular course of business. The sale of property by a seller whose principal place of business is outside the city to a buyer or consumer...
is a retail sale made within the city if such retailer maintains any office, distribution, or sales house, warehouse or any other place of business, or solicits business or receives orders through any agent, salesman, or other type of representative within the city.

“Seller” means and includes every person making sales to a buyer or consumer, renting property, or performing services for consideration.

“Selling price,” “sales price,” and “price” means the consideration, whether money, credit, rights or other property, expressed in terms of money, paid, given or delivered by a buyer to a seller all without any deduction on account of the cost of property sold, the cost of materials used, labor costs, interest, discount, delivery costs, taxes or any other expenses whatsoever paid or accrued, and without any deduction on account of losses.

“Services” means and includes all services of every manner and description that are performed or furnished for consideration, whether in conjunction with the sale of goods or not, but does not include services rendered by an employee to any employer. [Ord. 696 § 4, 2017; Ord. 378 § 4, 1994; Ord. 296 § 6, 1990.]

3.08.020 **Sales Tax**

**A.** A consumers sales tax is levied on all retail sales made, on all amounts paid as rent, and on all services performed within the city in the regular course of business, on and after January 1, 1975, except such as are hereinafter exempted, to be collected and used for the purposes hereinafter stated. A sale is taxable under this chapter if title to property passes within the corporate limits of the city. Title is considered to pass when goods or materials are ordered from a business establishment located in Craig and picked up by the customer, a third party (including common carriers), or mailed to the customer. Sales of goods and materials delivered by the vendor itself to a location outside the city limits are considered nontaxable for the purpose of this chapter.

**B.** The tax is levied in the amount of five percent of the sales price of all retail sales made, of all rents paid and of the amount paid for services performed within the city. When sales are made, rentals of property paid, or services are performed or furnished for other than cash, the price shall be the reasonable value of the items sold, furnished, performed or delivered. The term “rent” as used in this section, includes rent of both real and personal property and the term “services” includes furnishing of labor and materials for accomplishing a specified result when the resulting object or product is not for resale by the purchaser in the ordinary course of business. The sales price of all items purchased or delivered at the same time shall be added together and the tax levied on the aggregate amount thereof.

**C.** The sales price of all items purchased or delivered at the same time shall be added together and the tax levied on the aggregate amount thereof.

**D.** The rate of sales tax on retail sales of all alcoholic beverages (whether bottled or sold by the drink) is six percent of the sales price. The sales prices is the total price paid by the purchaser (including any federal or state taxes) prior to the addition of the city sales tax.

**E.** The following are exempt from the tax:

1. Salaries and wages paid to an employee;
2. Sales made and services performed which are not in the regular course of business;
3. Sales, rentals and services when the amount paid to any person for such sales, rents and services by all persons doing business with such party does not aggregate $150.00 in any calendar quarter; however, any sales tax collected shall be remitted;
4. Sales of insurance and bonds of guaranty and fidelity;
5. Fees for medical, dental and hospital services;
6. Remuneration received for services and materials, including caskets, used or furnished for funerals;
7. Wharfage charges and charges for freight handling and cargo handling on docks;
8. All sales of commodities made to a manufacturer, broker, wholesaler or dealer and which commodities are not consumed or destroyed by such purchaser, but which are resold in the same or an altered form or which are used to package, crate or deliver the products of such purchaser;
9. All sales to a bona fide retailer when the same are purchased by him for resale in the ordinary course of business. In this connection a retailer is one who regularly stocks merchandise for resale, displays the same to the public and holds himself out as regularly engaged in the business of selling such products either during a regular season or throughout the year direct to the consumer;
10. The gross receipts derived from the sale of tangible personal property or services by churches, except where such organizations are engaged in business for profit or savings, or competing with other persons engaged in the same or similar business;

11. Gross receipts derived from transportation of students to and from grade or high schools in motor or other vehicles;

12. Gross receipts derived from the sale of food in public, common high school or college cafeterias or lunch rooms operated primarily for teachers and pupils, and not operated primarily for the public or for profit;

13. Gross receipts or proceeds derived from sales or services which the municipality is prohibited from taxing by the state, or the United States; or gross receipts or proceeds from the transportation, loading, unloading, or storing of cargo from vessels or aircraft in foreign or interstate commerce, or on goods in transit or awaiting and being processed for shipment;

14. Gross receipts derived from carrier sales, made directly to consumer or user, of newspapers or periodicals;

15. Gross receipts derived from the sales to the United States, the state of Alaska or any political subdivision thereof;

16. Dues or fees to clubs, labor unions, or fraternal organizations;

17. Gross receipts derived from sales of building construction materials and labor use in constructing a building within the city, pursuant to a valid building permit issued or renewed no more than one year prior to the sale transaction being exempted from the tax. Sales, to qualify for this exemption, shall be recorded by the seller, together with the date, the purchaser's name, and the building permit number. Any purchaser who attempts to avoid paying sales tax by using a permit number for materials or labor not actually used in the structure for which the permit was issued shall be subject to a civil penalty up to 25 percent of the price of the materials or labor involved in the evasive purchase;

18. Gross receipts derived from sales of material and labor for the clearing of land, excavation, or fill or placement of material on real property for construction of a facility that will be subject to real property taxes; providing, that the improvements are constructed pursuant to a valid building or excavation permit issued or renewed no more than one year prior to the sale or transaction being exempted from the tax. Sales, to qualify for this exemption, shall be recorded by the seller, together with the date, the purchaser's name, and the building permit number. Any purchaser who attempts to avoid paying sales tax by using a permit number for materials or labor not actually used in the structure for which the permit was issued shall be subject to a civil penalty up to 25 percent of the price of the materials or labor involved in the evasive purchase;

19. Day care centers licensed by the state of Alaska;

20. Repealed by Ord. 698;

21. Purchases made with food stamp coupons, or food purchases made under the Federal Special Supplemental Food Program for Women, Infants and Children (WIC);

22. Sales, services and rentals made by a buyer that is organized as and has obtained a 501(c)(3) or 501(c)(4) exemption ruling from the Internal Revenue Service, licensed in Alaska and an exemption certificate from the city;

23. The loaning of money and interest and fees charged for the loan transaction;

24. Gross receipts derived from sales of vehicles or boats for that portion of the sale in excess of $5,000;

25. Goods and services purchased on a designated sales tax exemption day, as authorized by city council resolution.

F. In addition to the tax levied and collected under subsection (B) of this section, there shall be levied and collected a tax equal to five percent of the selling price on the retail sale of marijuana and marijuana products sold within the city of Craig. [Ord. 698 § 4, 2017; Ord. 696 § 4, 2017; Ord. 593 § 4, 2008; Ord. 481 § 4, 2000; Ord. 435 §§ 4, 5, 1997; Ord. 400 § 5, 1995; Ord. 388 § 4, 1994; Ord. 378 § 5, 1994; Ord. 307 § 4, 1990; Ord. 303 § 4 1990; Ord. 296 § 5, 1990; Ord. 292 § 4, 1989; Ord. 280 § 4, 1989; Ord. 275 §§ 1, 2, 1989; Ord. 268 § 4, 1988; Ord. 258 § 4, 1987; Ord. 238 § 4, 1985; Ord. 229, 1984; Ord. 223 § 5, 1984; Ord. 213 § 4, 1983; Ord. 129 § 5, 1974.]
3.08.025 Exemption of sales for resale.

A. The following sales of goods and services are exempt from the sales tax:

1. Sales of goods to wholesale dealers located in the city, who deal in goods of the type sold, for the purpose of a subsequent sale by such dealer in the city;

2. Sales to retail dealers located in the city, who deal in goods of the type sold, for the purpose of a subsequent retail sale by such dealer in the city, which sale will be subject to the tax imposed by this chapter;

3. Sales of tangible goods and services to a person engaged in manufacturing within the city, products sold primarily within the city, which property is converted into or becomes an ingredient or component part of the manufactured product or a container therefor, or otherwise enters directly into the manufacturing process;

4. Sales to a building or construction contractor or subcontractor, pursuant to a valid city building permit issued or renewed no more than one year prior to the sale transaction being exempted for the tax, for use on a project within the city, of building materials, supplies, and other tangible goods and services to be incorporated or used as component parts of a completed structure, driveway, landscaping, and other portions of the project and services utilized directly in the construction, erection, landscaping, and similar work on the project. This exemption shall not apply to tools, equipment, fuel, clothing, food and similar items of goods utilized but not incorporated into a project.

B. Resale cards shall be valid for a period of one year and shall be reissued in January of each calendar year by the city upon determination that a seller has established compliance with the resale exemption described herein. Resale cards shall be surrendered when the holder ceases doing business. Misuse of a resale card is a violation subject to penalty.

C. Misuse of a resale card shall constitute a misdemeanor and is punishable by a fine up to $300.00, and subject to revocation of the resale card.

D. Resale cards will be issued to businesses located in the city who are current in filing and remitting their sales tax. [Ord. 481 § 4, 2000; Ord. 471 § 4, 1999.]

3.08.030 Exemption for the elderly.

A. Anyone 65 years of age or older who is a resident of the state of Alaska may apply for and be issued a senior citizen’s sales tax exemption card subject to the limitations in subsections (B) through (F) of this section. Any person holding a valid card as of June 30, 2017, may renew after July 1, 2017. The senior citizen shall show the card upon request. All sellers within the city shall keep a record of such exempt sales on forms provided and turn in along with their quarterly sales tax report.

B. An administrative fee for the sales tax exemption card shall be $75.00. A replacement card will cost $5.00.

C. No person issued or authorized to use a senior citizen’s sales tax exemption card may use it to obtain a sales tax exemption when the goods or services purchased are for use in any trade or business, or for purchases for which the card holder is reimbursed or remunerated by a person or entity on whose behalf the purchase was made and who would not otherwise qualify for a sales tax exemption. A spouse under 60 years of age is not eligible for the exemption and cannot purchase anything without the presence of the exempt spouse except as listed in subsection (D) of this section.

D. No person who has not duly applied for and received such an exemption card may use it to obtain such tax exemption. However, in the case where a person is an invalid or otherwise physically unable to leave their home or dwelling to use the card, the city may issue a special card authorizing another person to use the special card for the benefit of the invalid or otherwise physically unable person to use the card.

E. As used in this section, “resident of the state of Alaska” means a person who is eligible or would have been eligible for the Alaska State Permanent Fund Dividend.

To be eligible for the senior citizen sales tax exemption card, the individual applying for an exemption must also meet requirements under one of the following paragraphs:

1. The individual shall be eligible for a permanent fund dividend under AS 43.23.005 for the same year or for the immediately preceding year; or

2. If the individual has not applied or does not apply for one or both of the permanent fund...
dividends, the individual would have been eligible for one of the permanent fund dividends identified in subsection (E)(1) of this section had the individual applied.

3. The city clerk may require proof of eligibility for subsections (E)(1) and (2) of this section for the senior citizen sales tax exemption.

F. Any person who knowingly violates any provision of subsections (A) through (E) of this section shall have their card revoked by the city for at least one year.

G. The senior citizen sales tax exemption cards shall expire every three years. New cards will be re-issued upon re-applying.

H. The senior citizen sales tax exemption will not apply to alcoholic beverages, tobacco products, or marijuana products. [Ord. 698 § 4, 2017; Ord. 631 § 4, 2011; Ord. 586 § 4, 2007; Ord. 557 § 4, 2006; Ord. 435 § 6, 1997.]
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3.08.040 Use of proceeds.

The proceeds of the tax shall be used for general municipal purposes. [Ord. 435 § 6, 1997; Ord. 296 § 5, 1990; Ord. 129 § 5, 1974.]

3.08.050 Duty to collect and make return.

A. The tax levied under CMC 3.08.020 is assessed and levied upon the persons paying for the commodities sold and rents and services furnished, but it is the duty of the retailer, landlord or person furnishing the same to collect the tax from the purchaser, tenant or person paying for the same, and make a return thereof to the clerk as hereinafter stated.

B. The sellers and persons furnishing such goods, rents and services shall add the tax imposed under this chapter to the sales price or charge therefor, and when so added, such tax shall constitute a part of the price or charge therefor and a debt from the purchaser, tenant or person receiving the same to the seller, landlord or person furnishing the same until the tax is paid, and shall be recoverable at law in the same manner as other debts. The seller, landlord, or person furnishing the commodities, services or rentals shall add and collect the tax strictly in accordance with CMC 3.08.020. [Ord. 435 § 6, 1997; Ord. 296 § 5, 1990; Ord. 129 § 5, 1974.]

3.08.060 Return forms.

The clerk shall provide appropriate forms for the use of taxpayers in making returns of the taxes payable under this chapter. Every person, firm or corporation making such sales, renting property or supplying such services as are taxable hereunder shall furnish the clerk with a return containing such information as is necessary to complete all spaces on the form, including the total sales, rents and charges for services during each month for which the return is made, the amount exempt hereunder, and the tax due and payable for such months. Such return shall be made on or before the last day of the month next succeeding the end of each calendar quarter year for the sales made, rentals and services furnished during the preceding calendar quarter year. When such sales, rentals or services are furnished on credit for the purpose of making a return and paying the tax, such sales shall be considered made, the rentals furnished or the services furnished during the month in which payment is received for such sales or services unless the taxpayer elects to make his returns on an accrual basis. The taxes payable for sales in each quarter year shall be paid on or before the close of the calendar month following the close of such calendar quarter year and shall be delinquent unless then paid. The postmarked date on payments received by mail shall serve to establish date received. [Ord. 496 § 4, 2001; Ord. 435 § 6, 1997; Ord. 296 § 5, 1990; Ord. 129 § 5, 1974.]

3.08.065 Failure to make return – Assessment.

A. Assessment by City. If any person obligated to collect and remit taxes under this chapter fails to make a return as provided by this chapter, or makes a grossly incorrect return, or a return that is false or fraudulent, the city administrator shall make an estimate of the taxable transactions during the taxable period based upon information available to him and assess the tax, plus penalties. The city administrator may give the taxpayer 10 days’ notice in writing concerning the proposed assessment and may ask the taxpayer to appear before him with such books, records and papers as he requires relating to the business for the taxable period. If any taxpayer fails to make any return or refuses to appear and answer questions within the scope of an investigation relating to his legal duties under this chapter, the city administrator may make the assessment based upon information available to him. The assessment shall be presumed to be correct unless set aside by a court of law.

B. Protest by Taxpayer. If the taxpayer protests his liability (or the amount thereof) on an assessment under subsection (A) of this section which has become final, he shall pay the tax under written protest setting forth the basis for the protest. No action for a refund may be maintained nor may a defense to nonpayment be maintained in a civil action unless the amount in the dispute has been paid by the taxpayer under written protest filed at or before the time of payment. [Ord. 452 § 4, 1998.]

3.08.070 Sale of business – Final tax return – Liability of purchaser.

If any seller sells, assigns, transfers, conveys, leases, forfeits, or abandons the business to another person, including a creditor or a secured party, the seller shall make a final sales tax return within 15
days after the date of selling, assigning, transferring, conveying, leasing, forfeiting or abandoning the business, showing that all tax obligations imposed by this chapter have been paid. The purchaser, successor, transferee, lessee, assignee, creditor, or secured party, shall withhold a sufficient portion of the purchase money, if any, to safely cover the amount of such sales taxes, penalties and interest as may be due and unpaid to the city; provided, if any purchaser, assignee, transferee, lessee, successor, creditor, or secured party of a business fails to withhold from the purchase money, or fails to otherwise provide for or make the payment of taxes, interest and penalty owed by the business as provided in this chapter, then a person with signatory authority over seller’s savings and checking accounts, and the purchaser, assignee, transferee, lessee, successor, creditor, or secured party, shall be personally liable for the payment of the taxes, interest and penalty owed by the business as provided in this chapter, then a person with signatory authority over seller’s savings and checking accounts, and the purchaser, assignee, transferee, lessee, successor, creditor, or secured party, shall be personally liable for the payment of the taxes, penalties, and interest accruing and unpaid to the city on accounts of the operation of the business by any former owner, owners, operators or assigns. [Ord. 435 § 6, 1997; Ord. 296 § 5, 1990; Ord. 261 § 4, 1987.]

3.08.080 Penalty and interest.

In the event a return is not made or the tax is not paid for any calendar quarter year within the following calendar month, a penalty of 10 percent of such tax as is unpaid shall be added to such tax for the first month of delinquency or fraction thereof, until the total penalty of 30 percent has accrued. Interest at the rate of 15 percent per year from the date of delinquency until paid shall accrue in the same manner. Such penalty and interest shall be collected in the same manner as the tax. [Ord. 435 § 6, 1997; Ord. 296 § 5, 1990; Ord. 261 § 4, 1987; Ord. 222 § 5, 1984.]

3.08.090 Lien for tax, interest and penalty.

A. The tax, interest and penalty imposed under this chapter, in addition to the lien filing fee under subsection (B) of this section, shall constitute a lien in favor of the city upon the assets, including all real and personal property, of every person making taxable sales city-wide. The lien arises upon delinquency and continues until liability for the amount is satisfied or the property of the delinquent person is sold at foreclosure sales. The lien is not valid as against a prior mortgagee, pledgee, purchaser, or judgment creditor until notice of the lien is filed in the office of the recorder for the Ketchikan recording district.

B. Fees for the filing and releasing of liens shall be:

1. Filing of lien; $25.00 plus recorder’s office filing fee;
2. Release of lien, $25.00 plus recorder’s office filing fee.

The above rates may be changed by the council by resolution from time to time to reflect the costs of providing municipal services generally. [Ord. 435 § 6, 1997; Ord. 296 § 5, 1990; Ord. 261 § 4, 1987.]

3.08.100 Sales tax inspector.

The city council shall from time to time designate not more than one person at any one time to make investigations and inspections of the books and records of the persons, firms and corporations who are liable for taxes under this chapter. Such person shall be the sales tax inspector of the city of Craig. The sales tax inspector is authorized and empowered to make inspections from time to time of all of the books and records pertaining to purchases, sales, services, and rents made, furnished, paid or performed by parties who are liable for the tax levied under this chapter. The sales tax inspector is granted the right to inspect all such books and records including the records of purchases made by retailers from wholesalers or other retailers, the ledger accounts of customers of the taxpayers, the sale slips made by taxpayers, and all other books and records of the taxpayers which would in any way tend to prove or reveal information concerning the tax liability of the taxpayer under this chapter. It shall be the duty of every person engaged in retail business or in furnishing services to the public in the city to allow the sales tax inspector to examine such books and records during regular business hours at such times as the sales tax inspector shall require. If the sales tax inspector shall find discrepancies in favor of the city between the sales reported to the city clerk and the sales which appear to have been made by any taxpayer, it shall be the duty of the city clerk to demand that the taxpayer forthwith make an amended return showing the correct amount of tax payable for each month for which such discrepancy appears and to pay the taxes due the city. Unless a taxpayer upon whom
such demand is made shall make such returns and
pay the taxes due the city within five days from the
date of the demand by the city clerk, the clerk shall
report the facts in full to the council. The clerk shall
keep confidential all facts which he has learned as
a result of such investigations until such time as the
same are reported to the common council. In the
event of a dispute between the taxpayer and the city
clerk as to the amount of tax due, the taxpayer may
within five days of the demand made upon him for
the filing of amended returns and the payment of
such taxes, demand a hearing before the city coun-
cil on his tax liability. In such event the city council
shall notify the taxpayer of the time and place at
which such hearing will be held. The city council
shall, after receiving a report from the city clerk of
delinquent taxes and after affording an opportunity
for such hearing in case the taxpayers demand the
same, take such action at law as is necessary to col-
lect any taxes which the city council shall find to be
delinquent, including penalties and interest. [Ord.
435 § 6, 1997; Ord. 296 § 5, 1990; Ord. 261 § 4,
1987; Ord. 129 § 5, 1974.]

3.08.110 Effective date.
This chapter shall be effective from and after
one minute past 12:00 a.m. on the first day of Jan-
uary, 1975. [Ord. 435 § 6, 1997; Ord. 296 § 5,
1990; Ord. 261 § 4, 1987; Ord. 129 § 5, 1974.]

3.08.120 Applies to entertainment.
The tax levied on services includes admissions
to any entertainment, such as movies, dances and
other events. [Ord. 435 § 6, 1997; Ord. 261 § 4,
1987; Ord. 129 § 5, 1974.]

3.08.130 Sales receipt.
Every sales slip, invoice and statement made
and delivered to a purchaser as a result of a sale,
rental of property or furnishing of services taxable
under this chapter, shall list thereon the price of the
articles sold, rents or service charges and sepa-
rately list the tax payable thereunder. [Ord. 435 §
6, 1997; Ord. 261 § 4, 1987; Ord. 129 § 5, 1974.]

3.08.140 Transboundary services.
All services which either commence or termi-
nate within the city, or which are in any part ren-
dered, supplied or provided within the city shall be
subject to sales tax, except as may be expressly
provided otherwise in this chapter. [Ord. 435 § 6,
1997; Ord. 298 § 5, 1990.]

3.08.150 Violations and penalty.
A. Any person obligated to collect sales taxes
under this chapter who fails, neglects or refuses to
collect the taxes imposed by this chapter, or who
fails to make a return and remit such taxes to the
city when due, or who forgives, remits or rebates to
the purchaser or tenant, either directly or indirectly,
any part of the tax levied hereunder, shall have
committed a violation of this chapter, punishable
by a maximum penalty of $1,000.
B. Persons who collect sales taxes, but then
appropriate the resulting moneys to their own use
rather than remitting the proceeds to the city, are
guilty of a misdemeanor, punishable by a maxi-
mum penalty of $1,000.
C. Each separate calendar quarter in which a
person commits a violation or misdemeanor, as set
forth in subsections (A) and (B) of this section,
shall constitute a separate offense. [Ord. 698 § 4,
2017; Ord. 435 § 6, 1997; Ord. 298 § 4, 1990; Ord.
261 § 4, 1987; Ord. 129 § 5, 1974.]

3.08.160 Rules and regulations.
The council may adopt rules and regulations
providing for the administration and interpretation
of this chapter together with forms for reporting the
taxes payable hereunder. [Ord. 435 § 6, 1997; Ord.
298 § 4, 1990; Ord. 261 § 4, 1987; Ord. 129 § 5,
1974.]

3.08.170 Registration.
A. A person, firm, partnership, corporation or
other business entity shall file an application for
registration at Craig City Hall (forms provided),
prior to making any retail sales, rendering any ser-
sices, making rentals or opening of an additional
place of business within the city limits of Craig.
The completed application shall be returned to City
Hall along with a copy of the business entity’s
Alaska State business license, if applicable.
B. Each business entity shall be registered
under the advertised name, and each separate busi-
ness shall be registered under its own account.
[Ord. 435 § 6, 1997; Ord. 425 § 4, 1996.]
3.08.180 Certificate displayed.
A. Upon receipt of a properly executed application indicating that all returns required have been filed pursuant to this chapter, along with a copy of the pertinent Alaska business license, the city shall issue without charge to the seller a certificate of registration. The certificate shall state the address of the place of business to which it is applicable, the Alaska business license number, if applicable, and shall authorize the seller to collect sales tax.
B. The certificate must be prominently displayed at the place of business named in the certificate.
C. Where the application or city records indicate that applicant is currently in violation of filing any remittance requirements of the city sales tax provision, the city may deny the application for registration until such time as applicant enters a binding agreement setting out a method by which full compliance will be attained. [Ord. 435 § 6, 1997; Ord. 425 § 4, 1996.]

3.08.190 Certificate nonassignable.
The certificate of registration is nonassignable and nontransferable. [Ord. 435 § 6, 1997; Ord. 425 § 4, 1996.]

3.08.200 Failure to register.
Failure to register may result in a proceeding being filed by the city in superior court no earlier than 15 days after providing notice by regular mail to any business which has failed to obtain its initial registration under this chapter. [Ord. 435 § 6, 1997; Ord. 425 § 4, 1996.]

Chapter 3.09
TRANSIENT ROOM TAX
Sections:
3.09.010 Definitions.
3.09.020 Levied.
3.09.030 Rate.
3.09.040 Exemptions.
3.09.050 Collection and accrual.

3.09.010 Definitions.
For purposes of this chapter the following words shall have the meanings ascribed to them:
“Guest” means an individual, corporation, partnership, or association paying monetary or other consideration for the use of a sleeping room or rooms in a hotel. This is specifically intended to include any guest who has overnight accommodations as part of a combined-price package.
“Hotel” means a structure or portion of a structure which is occupied or intended and designed for occupancy by transients for dwelling, lodging or sleeping purposes and includes any residence, hotel, motel, inn, lodge, cabin or bed and breakfast.
“Rent” or “rents” means the amount paid or promised, in terms of money, as consideration for the use by a transient of a room or rooms in a hotel; it does not include the cost of food or entertainment, nor does it include the cost of banquet or other facilities not intended for use as overnight accommodations.
“Transient” means a person who occupies a suite, room or rooms in a hotel for fewer than 30 consecutive days. An employee who occupies a suite, room or rooms rented or leased by an employer for more than 30 days, for use on a rotating basis by employees, is not a transient. [Ord. 697 § 4, 2017.]

3.09.020 Levied.
There is hereby levied a tax on hotel room rentals to transients. [Ord. 697 § 4, 2017.]

3.09.030 Rate.
A. The rate of the transient room tax is established at $5.00 per day.
B. This tax shall be in addition to the general sales tax. This tax shall not be levied on the sales tax portion of the rental bill. Neither shall the gen-
eral sales tax be levied on this transient room tax. [Ord. 697 § 4, 2017.]

3.09.040 Exemptions.
A. No tax shall be imposed where the rental is:
   1. Less than $5.00 per day;
   2. Made to an organization that is exempt from taxation by law of the state of Alaska or the United States. [Ord. 697 § 4, 2017.]

3.09.050 Collection and accrual.
A. Every hotel operator renting rooms subject to taxation under this chapter shall collect the taxes imposed by this chapter from the transient guest at the time of collection of charge for the room, or for the combined-price package if applicable, and shall transmit the same, with appropriate form provided by the finance director, to the city. The tax imposed shall be shown on the billing to the guest as a separate and distinct item.
B. This tax accrues each day of occupancy and shall be paid by the hotel operator to the city with the operator’s quarterly sales tax filing, and shall be delinquent unless so paid.
C. Each transient guest is responsible for the room rental tax imposed by this chapter and the tax shall be due and payable to the hotel operator at the time the rent is paid.
D. All other means of enforcement and collection of this tax not addressed in this section shall be according to the provisions of the city’s sales tax code at Chapter 3.08 CMC. [Ord. 697 § 4, 2017.]

Chapter 3.12
LIMITATION OF ACTION ON TAX REFUND CLAIMS

Sections:
3.12.010 Garbage.
3.12.030 Water.
3.12.040 Sales taxes – Refund action.
3.12.050 Sales taxes – Refund limitation.
3.12.060 Real property taxes – Refund action.

3.12.010 Garbage.
A claim for garbage utility charge refund must be filed within one year from the due date of the monthly billing upon which refund is sought or the refund claim is forever barred. The intent of this section is to preclude presentment of stale claims. [Ord. 163 § 5, 1979.]

A claim for sewer utility charge refund must be filed within one year from the due date of the monthly billing upon which refund is sought or the refund claim is forever barred. The intent of this section is to preclude presentment of stale claims. [Ord. 163 § 6, 1979.]

3.12.030 Water.
A claim for water utility charge refund must be filed within one year from the due date of the monthly billing upon which refund is sought or the refund claim is forever barred. The intent of this section is to preclude presentment of stale claims. [Ord. 163 § 7, 1979.]

3.12.040 Sales taxes – Refund action.
An action may be brought by a taxpayer for recovery of sales taxes, and the refund, if applicable, shall include the amount in excess of that determined to be owed, plus interest thereon at eight percent per year, plus refund of any penalty assessed. [Ord. 163 § 8, 1979.]
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3.12.050 Sales taxes – Refund limitation.
A claim for sales tax refund filed after one year of the due date of the tax is forever barred. [Ord. 163 § 9, 1979.]

3.12.060 Real property taxes – Refund action.
If a taxpayer pays real property taxes under protest, action may be brought by the party for recovery of taxes, and the refund, if applicable, shall include the amount in excess of that determined to be owed, plus interest thereon at eight percent per year, plus refund of any penalty assessed. [Ord. 163 § 10, 1979.]

A claim for a real property tax refund filed after one year of the due date of the tax is forever barred. [Ord. 163 § 11, 1979.]

Chapter 3.13
INTEREST RATES FOR DELINQUENT OR PAST DUE ACCOUNTS

Sections:
3.13.010 Interest rate – Established.

3.13.010 Interest rate – Established.
Interest rates for delinquent or past due accounts not otherwise established by the city council shall be 10.5 percent per year. [Ord. 414 § 5, 1995; Ord. 262 § 4, 1988.]
Chapter 3.14

INVESTMENT OF OPERATING FUNDS

Sections:
3.14.010 Objective.
3.14.060 Internal control.

3.14.010 Objective.

There are opportunities from time to time for the city to invest surplus operating funds. Such funds are generally short-term in nature and are often restricted as to their use, and as such are best not commingled in the Craig endowment fund. Safety of principal is the foremost investment objective of the city of Craig. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they are from securities defaults or erosion of market value. The city of Craig seeks to attain market rates of return on its investments, consistent with constraints imposed by its safety objectives and cash flow considerations that restrict placement of public funds. All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in the city of Craig. [Ord. 529 § 4, 2004.]


In accordance with CMC 2.04.060, the responsibility for conducting investment transactions resides with the mayor, city administrator and city treasurer. The mayor, administrator and treasurer shall not deposit funds in any depository that is not a member of the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA) or the Securities Investor Protection Corporation (SIPC). Investments shall be made with judgement and care – under circumstances then prevailing – which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. [Ord. 529 § 4, 2004.]


A. Operating funds of the city of Craig may be invested in:

1. Federally insured or fully collateralized certificates of deposit of banks and credit unions maturing within two years;
2. U.S. Government Treasury, agency and instrumentality securities;
3. Notes or bonds issued by the state of Alaska or its political subdivisions or other states of the United States, maturing within two years, with a credit rating of A-/A3 or better from two national ratings agencies, maturing within two years;
4. Repurchase agreements collateralized by U.S. Treasury securities and marked to market. If repurchase agreements are overnight investments or if securities are collateralized in excess of 102 percent, marked to market is not necessary;
5. A state investment pool formed within the state of Alaska and comprised of agencies of the state and/or its political subdivisions;


A. Collateralization will be required to be pledged on two types of investments: certificates of deposit not covered by insurance, and repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be a minimum of 102 percent.

B. The city chooses to limit collateral to the following:

1. State and municipal bonds and notes rated A-/A3 or better;

C. Collateral will always be held by an independent third party with whom the city has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the city and retained.
D. The right of collateral substitution will be granted only after a signed release from the city is obtained, except for par value substitutions.

E. All security transactions, including collateral for repurchase agreements, entered into by the city of Craig shall be conducted on a delivery versus payment basis. Securities will be held by a third party custodian designated by the treasurer and evidenced by safekeeping receipts. [Ord. 529 § 4, 2004.]


A. It is the policy of the city to diversify its investment portfolio. The following general policies and constraints shall apply:

1. Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities selected shall provide for stability of income and reasonable liquidity;

2. Maturities shall attempt to match anticipated cash requirements;

3. No operating fund investment may carry a maturity date of more than two years.

B. Diversification strategies shall be determined and revised periodically by the city treasurer. [Ord. 529 § 4, 2004.]

3.14.060 Internal control.

As part of the annual audit, there shall be a review by the external auditor to assure the compliance of the city’s ordinance. [Ord. 529 § 4, 2004.]


A. Before the city invests any surplus funds, a competitive “bid” process shall be conducted. If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, bids will be requested for instruments that meet the maturity requirement. Bids will be requested from the financial institutions for various options with regards to term and instrument. The city will accept the bid that provides the highest rate of return within the maturity required and within the parameters regarding investments.

B. Bid Provisions.

1. The city treasurer shall solicit bids from a minimum of two banks or financial institutions for each operating fund investment.

2. Notices to bid shall be delivered in person, by mail, or by other electronic means including telephone, fax machines or e-mail, to those eligible banks and financial institutions as the city may elect.

3. Notice to bid shall set forth:
   a. The principal amount, maturity date, the investment period and the cash settlement date;
   b. The date, time and place of bid opening; and
   c. Such other information as the city, from time to time, may deem necessary or appropriate.

4. Bids may be delivered to the city in person, by mail or by other electronic means as authorized by the city. No bid, or amendment to a bid, will be accepted after the time set forth in the notice. In the event no bids are received, the treasurer may negotiate the investment with any eligible bank or financial institution. The city reserves the right to cancel any or all notices to bid, in whole or in part, for any reason at any time, and the cancellation of a notice to bid will be binding on banks and financial institutions submitting bids.

5. Bids shall identify separately each investment by principal amount and maturity date. Interest rates shall be a rate per annum calculated on a comparable basis. Bids for portions of investments may be accepted by the city at the discretion of the treasurer.

6. Bidders not affiliated with a bank must demonstrate that they are classified as reporting dealers affiliated with the Federal Reserve as primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

7. If identical bids are received from two or more banks or financial institutions, the treasurer shall, at the treasurer’s discretion, award by lot.

8. The mayor, administrator and treasurer shall award the bid made on each investment to the bank or financial institution offering the highest effective return to the city (giving consideration to the security of the investment and the margin of risk).

9. The city of Craig reserves the right to accept or reject any and all bids, in whole or in part, when deemed to be in the best interests of the city.
10. Upon maturity of an initial investment of surplus funds, the investments may be maintained at the financial institution and rolled into the same financial instrument for one new term. [Ord. 529 § 4, 2004.]

Chapter 3.15
CRAIG ENDOWMENT FUND INVESTMENT POLICIES

Sections:
3.15.010 Endowment fund created.
3.15.020 Source of funds.
3.15.030 Growth of principal.
3.15.040 Treasury management.
3.15.050 Permissible investments.
3.15.055 Asset allocation and performance.
3.15.060 Collateralization and custody.
3.15.070 Diversification.
3.15.080 Asset allocation and performance benchmarks.
3.15.090 Reporting requirements.
3.15.100 Appropriation of earnings.
3.15.110 Use of principal as collateral.

3.15.010 Endowment fund created.
A. There is created an endowment fund.
B. Safety of principal is the foremost investment objective of the fund. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they are from securities defaults or permanent erosion of market value. The city of Craig seeks to attain market rates of return on its investments, consistent with constraints imposed by its safety objectives and cash flow considerations that restrict placement of public funds. All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in the city of Craig. [Ord. 529 § 4, 2004.]

3.15.020 Source of funds.
From time to time, the council will appropriate undesignated funds to the endowment fund. Funds once dedicated are intended to be held in the fund for perpetuity unless otherwise unanimously determined by the council. [Ord. 529 § 4, 2004.]

3.15.030 Growth of principal.
A. The long-term goals of the endowment fund are:
1. To achieve a level of earnings that exceeds the average rate of inflation, as reported by the Anchorage CPI index. In order to avoid the effects
of extreme activities in the market place from year-to-year, it is directed that the fund earnings be compared to a five-year rolling average rate of inflation. Until the fund has been in existence for five years, the earnings will be expected to meet the average rate of inflation since inception;

2. To allow for the appropriation of earnings to supplement general operating funds and to provide match or funds for capital construction projects; and

3. To increase the principal of the fund using net earnings and other funds. [Ord. 529 § 4, 2004.]

3.15.040 Treasury management.
A. The endowment fund shall be managed in accordance with the prudent expert rule, which requires management with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

B. The city treasurer or city administrator may, with concurrence of the city council, retain a registered investment advisor to manage all or part of the endowment fund. Such advisor will be bound by all aspects of this chapter. A report of absolute and comparative performance and of compliance with this chapter shall be provided to the city council quarterly by the investment advisor. In addition, a copy of the Association of Investment Management and Research report, and a completed copy of Part II of Securities and Exchange Commission Form ADV, shall be provided to the city council annually by the investment advisor. These reporting requirements are in addition to any other reporting requirements contained within this chapter. Investment guidelines given to such advisor may be more restrictive than the policies contained herein, but may not be less restrictive. [Ord. 529 § 4, 2004.]

3.15.050 Permissible investments.
A. The city of Craig endowment fund may be invested in:

1. U.S. Government Treasury, agency and instrumentality securities;
2. Notes or bonds issued by the state of Alaska or its political subdivisions or other states of the United States, maturing within two years, with a credit rating of A-/A3 or better from two national ratings agencies;
3. Federally insured or fully collateralized certificates of deposit of banks and credit unions, maturing within two years;
4. Repurchase agreements collateralized by U.S. Treasury securities and marked to market. If repurchase agreements are overnight investments or if securities are collateralized in excess of 102 percent, marked to market is not necessary;
5. A state investment pool formed within the state of Alaska and comprised of agencies of the state and/or its political subdivisions;
6. Money market mutual funds whose portfolios consist entirely of U.S. Government securities;
7. Any of the following:
   a. Mortgage-backed and asset-backed obligations denominated in U.S. dollars with a credit rating of A-/A3 or better from two national ratings agencies;
   b. Corporate debt obligations of U.S. domiciled corporations denominated in U.S. dollars with a rating of A-/A3 or better from at least two national ratings agencies;
   c. Convertible debt obligations of U.S. domiciled corporations denominated in U.S. dollars with a credit rating of A-/A3 or better from two national ratings agencies;
8. Domestic equities which, taken as a whole, attempt to replicate the Standard and Poor’s 500 Index, including both mutual funds and exchange traded funds (ETFs);
9. International equities which, taken as a whole, attempt to replicate the Morgan Stanley Europe, Australasia, Far East (EAFE) Index or the FTSE Developed ex North America Index, including both mutual funds and exchange traded funds;
10. Equities which, taken as a whole, attempt to replicate the universe of domestic real estate investment trusts as represented by the Standard and Poor’s REIT Index or a similar national index, including both mutual funds and exchange traded funds;
11. Domestic equities which, taken as a whole, attempt to replicate the Standard and Poor’s 400 MidCap Index, including both mutual funds and exchange traded funds. [Ord. 648 § 4, 2013; Ord. 579 § 4, 2007; Ord. 529 § 4, 2004.]
3.15.055 Asset allocation and performance.

Endowment fund asset allocation and performance:

A. The fund’s asset allocation targets and ranges shall be set by the city council by resolution.

B. Performance of the Craig endowment fund’s investment advisors will be measured as follows:
   1. Performance measurement for the domestic equity allocation will be measured against the target weighting, using the Standard and Poor’s 500 Index as the benchmark.
   2. Performance measurement for the Mid-Cap equity allocation will be measured against the target weighting, using the Standard and Poor’s 400 MidCap Index as the benchmark.
   3. Performance measurement for the international equity allocation will be measured against the target weighting, using the Morgan Stanley Europe, Australasia, Far East (EAFE) Index or the FTSE Developed ex North America Index for the benchmark.
   4. Performance measurement for the real estate allocation will be measured against the target weighting using the Standard and Poor’s REIT Index or a similar national index for the benchmark.
   5. Performance measurement for the fixed income allocation will be measured against the target weighting using the Lehman Intermediate Government/Credit Index for the benchmark. The duration of the fixed income allocation should be maintained between 80 percent and 120 percent of the duration of the benchmark. [Ord. 648 § 4, 2013; Ord. 579 § 4, 2007.]

3.15.060 Collateralization and custody.

A. Collateralization will be required to be pledged on two types of investments: certificates of deposit not covered by insurance, and repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be a minimum of 102 percent.

B. The city chooses to limit collateral to the following:
   1. State and municipal bonds and notes rated A-/A3 or better;
   C. Collateral will always be held by an independent third party with whom the city has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the city and retained.
   D. The right of collateral substitution will be granted only after a signed release from the city is obtained, except for par value substitutions.
   E. All security transactions, including collateral for repurchase agreements, entered into by the city of Craig shall be conducted on a delivery versus payment basis. Securities will be held by a third party custodian designated by the treasurer and evidenced by safekeeping receipts.
   F. For that portion of the endowment fund that is managed by an investment manager, all funds and securities shall be held by an independent third party custodian. Settlement of transactions shall be performed by the independent third party custodian at the direction of the investment manager. [Ord. 529 § 4, 2004.]

3.15.070 Diversification.

It is the policy of the city to diversify its investment portfolio. Diversification strategies shall be determined and revised periodically by the city treasurer and city administrator, and presented to the city council for approval. [Ord. 579 § 4, 2007; Ord. 529 § 4, 2004.]

3.15.080 Asset allocation and performance benchmarks.

A. No more than five percent of the endowment fund portfolio that is managed by an investment manager may be held in the form of cash equivalents for a period longer than 30 days, unless extenuating circumstances exist. Such circumstances should be documented in writing by the investment manager. Anticipated cash requirements for the city should be documented in writing by the treasurer or administrator to the investment manager.

B. The portion of the endowment fund managed by an investment manager shall be compared to appropriate benchmarks. Asset allocation of the investment portfolio shall hold securities similar to those held in the appropriate benchmarks.

C. That portion of the fund that is held by the city in other financial instruments for collateralization of loans is exempt from this section. [Ord. 529 § 4, 2004.]
3.15.090  Reporting requirements.
   A. The city treasurer and/or city administrator shall generate monthly reports for management purposes. In addition, the city council will be provided quarterly reports, which will include data on investment instruments being held, interest earned, compare the return with budgetary expectations, as well as any narrative necessary for clarification. Quarterly performance reports will be provided by the investment advisor of the endowment fund showing absolute and relative performance, risk level experienced, and comparing the fund to the specified goals and appropriate benchmarks of the fund.
   B. The third party designated to hold funds and securities managed by an investment advisor shall generate monthly financial statements showing activity and investment details. These reports shall be compared to the monthly reports generated by the investment advisor. Discrepancies shall be researched by the treasurer. [Ord. 529 § 4, 2004.]

3.15.100  Appropriation of earnings.
   The city council may appropriate from the endowment fund in any one fiscal year an amount not to exceed four percent of the five-year average fund market value, to be computed using the market value of the five prior calendar years. [Ord. 579 § 4, 2007; Ord. 558 § 4, 2006; Ord. 529 § 4, 2004.]

3.15.110  Use of principal as collateral.
   A. From time to time, the city requires funds for projects. The city has found it helpful to use investment funds as collateral for short-term loans while searching for project funding. The intent of this provision is to insulate the general operating fund from the impacts of cash requirements for construction projects that will likely be funded by other sources.
   B. No more than $2,000,000 of the endowment fund shall be used as collateral for short-term loans. The following parameters shall apply to short-term collateralization of the endowment fund:
      1. The loan should be for a period of 12 months or less, and the loan should not be extended for a period longer than three years from the original loan date;
      2. The loan should provide for interest-only payments until grant and/or final project funding is available;
      3. The value of investment held as collateral must be an amount sufficient to cover loan interest payments using investment interest earnings;
      4. If the project directly relates to a revenue-generating department, that department should be charged the monthly interest payments;
      5. If the project does not generate revenue or relate to a revenue-generating department, the city council may appropriate an amount of investment earnings generated by the collateral to be used for payment of monthly interest payments. [Ord. 529 § 4, 2004.]
3.16.010 Selection of banking services.

A. Recognizing that long-term banking relationships are beneficial to the daily operations of the city, city operating funds, i.e., checking and small savings accounts, shall remain with a financial institution, so long as the services provided meet the needs of the city.

B. The city shall seek to establish and maintain a low-cost banking relationship for its day-to-day operating funds. The treasurer or administrator shall take care to minimize banking fees where possible and maximize interest earnings. At the treasurer or administrator’s discretion, a competitive bid process can be initiated to determine the benefits of moving the city’s operating funds to a different financial institution. In selecting depositories, the credit worthiness and financial history shall be reviewed. Convenience and efficiency shall be given consideration when reviewing the merits of a financial institution. [Ord. 529 § 4, 2004.]

3.16.020 Signatories.

For all accounts maintained by the city, the mayor, city administrator, treasurer, and city clerk shall be account signers. For additional convenience, city council members and other city officials may be assigned to the accounts. Withdrawal transactions require two authorized signatures. [Ord. 529 § 4, 2004.]

3.17.010 Investment policy adoption.

The city’s investment policy shall be adopted by ordinance. The budget committee shall review the policy on an annual basis and any modifications made thereto must be approved by the city council. [Ord. 529 § 4, 2004.]

3.17.020 Definitions.

As used in Chapters 3.14, 3.15, and 3.16 CMC, the following definitions apply:

“Adjusted net earnings” means the amount in dollars remaining after an amount equal to the five-year rolling average rate of inflation on the endowment fund’s market value is deducted from net earnings.

“Delivery versus payment” means that a security will be delivered to safekeeping simultaneous to cash being paid for the security.

“Earnings” means interest, dividends, and capital gains realized and received during the calendar year. Unrealized gains and accrued interest are not considered “earnings.”

“Financial institution” means a bank, savings and loan association or securities dealer.

“Marked to market” means to value a security at its current sales price.

“Money market mutual funds” means a mutual fund which maintains a constant share price regardless of market fluctuations, and which has an average maturity for its entire portfolio of one year or less.

“Net earnings” means the amount in dollars remaining after payment of advisor and custodial fees are made from annual earnings of the endowment fund.

“Pledged” means specific securities set aside as collateral which are identified to a specific account.

“Repurchase agreements” means short-term transactions consisting of the purchase of a security with the promise to return it at a later date.
“U.S. Government agency and instrumentality securities” means highly rated (AA- or better) obligations issued on behalf of U.S. Government-sponsored enterprises and quasi-public corporations. Issuers include the Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and others.

“U.S. Government Treasury obligations” means direct obligations backed by the full faith and credit of the U.S. Government, such as U.S. Treasury bills, notes, and bonds. [Ord. 529 § 4, 2004.]