

CITY OF UNALASKA
UNALASKA, ALASKA

RESOLUTION 2025-01

A RESOLUTION OF THE UNALASKA CITY COUNCIL AUTHORIZING AN AGREEMENT BETWEEN THE CITY OF UNALASKA AND CITY OF SAINT PAUL FOR COLLECTING AND REMITTING TAXES ON NORTH REGION BERING SEA SNOW CRAB HARVESTED IN 2025

WHEREAS, the Crab Rationalization Program (Program) regulations governing the Bering Sea Opilio crab fishery (the “BSS Fishery”) include a regional landing requirement under which a certain amount of crab must be landed in each of the “North” and “South” regions, as defined under the Program (the “Regional Landing Requirement”);

WHEREAS, due to the extremely low total allowable catch of 1,576,624 lbs. of BSS crab with a North Region designation that may be harvested in the 2025 season (“North Region Crab”), the lone major processor in the North Region, which is located on Saint Paul Island is unable to economically process snow crab this season;

WHEREAS, the 2024 Framework Agreement and subsequent Addendum existing among numerous parties that make the BSS Fishery possible establishes general terms and conditions under which an exemption contract may be executed for the purposes of changing Regional Landing Requirements and providing fair compensation for same;

WHEREAS, Unalaska Crab, Inc. serves as Unalaska’s community representative for the Program, and approved the 2024 Framework Agreement at its September 24, 2024 meeting, which was publicly held immediately before the city council’s meeting of the same date;

WHEREAS, to ensure that the entire 2025 total allowable catch can be harvested, the parties to the Framework Agreement entered into that certain Exemption Contract;

WHEREAS, the Exemption Contract enables the North Region Crab to be delivered to and processed in Unalaska rather than Saint Paul;

WHEREAS, delivering the North Region Crab to Unalaska results in Saint Paul losing tax revenue and economic benefits and Unalaska gaining those benefits;

WHEREAS, the parties to the Exemption Contract agreed that fair compensation for Saint Paul is the tax revenues that Saint Paul would have received if the North Region Crab were landed in Saint Paul;

WHEREAS, without the Exemption Contract, the North Region Crab could not be delivered to Unalaska and Unalaska would not collect any raw seafood product tax on the North Region Crab;

WHEREAS, the proposed Memorandum of Agreement between the cities of Unalaska and Saint Paul implements the Exemption Contract by having Unalaska, on behalf of Saint Paul, collect the 3.5% seafood tax on North Region Crab that Saint Paul would have collected if the North Region Crab were landed and processed in Saint Paul and remit those amounts to Saint Paul;

WHEREAS, by collecting for and remitting to Saint Paul taxes assessed on North Region Crab, Unalaska does not “lose” any tax revenue that it would have received without the Exemption Contract;

WHEREAS, implementing the Exemption Contract through the Memorandum of Understanding, will provide Unalaska secondary economic benefits from delivery of North Region Crab to Unalaska, including increased sales tax revenue and increased economic activity resulting from the delivery to and processing of up to 1,576,624 additional pounds of snow crab in Unalaska;

WHEREAS, the Exemption Contract and implementation of its Saint Paul compensation pursuant to the proposed Memorandum of Agreement benefits all parties and affected communities: harvesters are able to harvest and sell a million and half pounds of crab that would otherwise go unharvested, processors are able to process a million and half pounds of crab (and sell the processed crab to their customers) that would otherwise go unprocessed, Saint Paul receives taxes that could not be assessed if the North Region Crab were not harvested, and Unalaska receives economic activity from an additional million and half pounds of crab being delivered to Unalaska, processed in Unalaska, and shipped worldwide from Unalaska; and

WHEREAS, the proposed Memorandum of Agreement further implements the Exemption Contract by establishing that Saint Paul should receive any municipal allocation of State of Alaska fisheries business tax attributable to North Region Crab that is landed and processed in Unalaska.

NOW THEREFORE BE IT RESOLVED that the Unalaska City Council ratifies Unalaska Crab, Inc.’s execution of the Exemption Contract; and

BE IT FURTHER RESOLVED that the Unalaska City Council hereby approves the Memorandum of Agreement between the City of Unalaska and the City of Saint Paul and authorizes the City Manager to sign the agreement on behalf of the City of Unalaska; and

BE IT FURTHER RESOLVED that the City Manager and the City Clerk are authorized to take actions reasonably necessary to implement the Memorandum of Agreement.

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on January 3, 2025.


Vincent M. Tutiakoff, Sr.
Mayor

ATTEST:

Alicia Aguilar
Acting City Clerk

MEMORANDUM

TO: Mayor Vincent M. Tutiakoff, Sr.
Unalaska City Council

FROM: Charles A. Cacciola 

RE: Saint Paul Agreement for Crab Tax

DATE: December 27, 2014

The proposed Memorandum of Agreement (MOA) with Saint Paul provides for Unalaska to collect Saint Paul's 3.5% seafood tax on certain Bering Sea snow crab that will be delivered to and processed in Unalaska rather than Saint Paul. It also provides for Saint Paul to receive State of Alaska fisheries business tax associated with this crab.

The MOA is relatively simple. The background to it is more complex. The context for the MOA and a more detailed explanation of the MOA's terms are set forth below.

Background

Federal legislation created the Bering Sea and Aleutian Islands Crab Rationalization Program (Program) in 2004 and 2005. Under the Program, quota shares (QS) were issued to eligible harvesters and processors. This processing privilege is called Individual Processing Quota (IPQ).

The IPQ results in some crab having a regional landing designation. Generally, some portion of the TAC must be landed in the North Region, which includes Saint Paul. Other crab can be landed in the South Region, which includes Unalaska. However, the Program allows participants to agree to alter the regional landing designations on a season-by-season basis. This part of the Program ensures that the entire TAC can be safely and efficiently harvested when delivery to the designated region is not feasible.

Each season for nearly two decades, Bering Sea crab fishery participants have entered into a pre-season framework agreement. The framework agreements establish a procedure for the parties to agree to an in-season change of regional landing designations. If an in-season change is required, affected parties can enter into an exemption contract. An exemption contract exempts certain crab from regional landing requirement that would otherwise apply. An exemption contract can also provide compensation for a change in landing designation. There are two potential forms of compensation, compensatory landings and monetary compensation.

The Program and the annual framework agreements address the needs of harvesters, processors, *and local communities*. In 2005, the City of Unalaska formed Unalaska Crab, Inc., which is overseen by the city council, to serve as the community representative of Unalaska for the Program.

2025 Bering Sea Snow Crab Season

As they do each year, the harvesters, processors, and community representatives entered into a Framework Agreement. Unalaska Crab, Inc. approved the 2024 Framework Agreement at its September 24, 2024 meeting, which was publicly held immediately before the city council's meeting of the same date.

In October, ADF&G and NMFS announced a small but important snow crab season. The TAC is 4.72 million pounds, far less than the 45-million-pound quota for the 2021 season. Of this TAC, 1,576,624 pounds are North Region designated (North Region Crab). Absent an exemption contract, the North Region Crab must be processed in Saint Paul.

Due to the extremely low 2025 TAC, the lone major processor in the North Region, which is located on Saint Paul Island, announced that it would not be able to process snow crab this season. Accordingly, it is not feasible to deliver the North Region Crab (1,576,624 pounds) to a Saint Paul/North Region processor.

The annual framework agreements exist to address circumstances such as this. The parties to the 2025 season Framework Agreement began working on an exemption contract to allow for the North Region Crab to instead be delivered in the South Region, and more specifically to Unalaska (the Exemption Contract).

2025 Exemption Contract

Without the Exemption Contract the 1,576,624 pounds of North Region Crab would go unharvested, unprocessed, and unsold to consumers.

Exempting the North Region Crab from the North Region delivery requirement is relatively simple. The parties must agree and submit their agreement to NMFS. However, by agreeing that North Region Crab can be delivered to and processed in Unalaska, Saint Paul loses vital tax revenue that it would receive if the North Region Crab were delivered to the North Region. Saint Paul levies a 3.5% tax on the North Region Crab. And like Unalaska, Saint Paul can receive an allocation of the state's fisheries business tax.¹

Under the Exemption Contract, the parties agreed that North Region Crab can be delivered to Unalaska. To compensate Saint Paul for the loss of tax revenue it would collect if the North Region Crab were delivered to a Saint Paul, the parties agreed that Saint Paul's 3.5% tax should apply to North Region Crab despite the fact that it would be delivered to Unalaska. The harvesters agreed to implement this compensation by agreeing to pay this 3.5% and the processors agreed that they would collect and remit it. The parties to the Exemption Contract also expressed their intent for Unalaska and Saint Paul to implement collection of Saint Paul 3.5% tax on the North Region Crab and allocation to Saint Paul of state fisheries business tax associated with the North Region Crab.

The Memorandum of Agreement

The proposed MOA implements the compensation of the Exemption Contract. This has two parts: Saint Paul's 3.5% seafood tax and the state fisheries business tax.

¹ See AS 29.60.450.

Under the MOA, Unalaska will receive from Unalaska processors Saint Paul's 3.5% tax on sales of North Region Crab delivered to and sold for processing in Unalaska. Because Saint Paul's tax is 3.5% and Unalaska's tax would be 2%, with the Exemption Contract the harvesters agreed to pay 3.5% of the gross sales price of North Region Crab delivered to Unalaska. The processors agreed to collect and remit this amount for North Region Crab, essentially the same way that they otherwise collect and remit to Unalaska the 2% tax applicable to raw seafood sales in Unalaska.

The effect of the MOA is that Unalaska and Saint Paul agree that Saint Paul's 3.5% tax, not Unalaska 2% tax, applies to this season's North Region Crab delivered to Unalaska. Unalaska will administer this tax on behalf of Saint Paul and periodically remit to Saint Paul the proceeds of this taxation of North Region Crab. To compensate Unalaska for administering this tax program, Unalaska will retain 1.5% of the total tax amount collected of the North Region Crab.²

The second component of Saint Paul's compensation for allowing the North Region Crab to be delivered to and processed in Unalaska is for Saint Paul to receive any municipal allocation of the state's fisheries business tax that is associated with the North Region Crab. The cities will seek to have the state pay this portion of the municipal allocation to Saint Paul directly. If, however, the state instead pays amounts associated with the North Region Crab to Unalaska, the two cities will work together to determine what amount Unalaska received is associated with the North Region Crab and Unalaska will remit this amount to Saint Paul. If this occurs, it is likely to be around a year from now.

Overall, the goal of the MOA is to put both cities in the same seafood tax and fisheries business tax position that they would be in *without the Exemption Contract*: Unalaska receives the same amount of its raw seafood tax and state fisheries business tax allocation as it would if the North Region Crab were delivered to and processed in Saint Paul. Saint Paul receives the same amount of its raw seafood tax and state fisheries business tax allocation as it would if the North Region Crab were delivered to and processed in Saint Paul.

The MOA represents the cities' implementation of the Exemption Contract. Without the Exemption Contract, the 1,576,624 pounds of North Region Crab would go unharvested. With the Exemption Contract, everyone is better off. Harvesters harvest an additional 1,576,624 pounds of snow crab. Processors process a million and half pounds of crab (and sell the processed crab to their customers) that would otherwise go unprocessed. Saint Paul receives taxes that could not be assessed if the North Region Crab were not harvested. Unalaska receives economic activity, including associated "regular" sales tax, from an additional million and half pounds of crab being delivered to Unalaska, processed in Unalaska, and shipped worldwide from Unalaska.

Please let us know if you have any questions regarding the proposed MOA. Mr. Kelty will also be available to answer questions you may have regarding the Bering Sea snow crab fishery and the Program generally.

² Unalaska's administrative fee is 1.5% of the North Region Crab *tax proceeds* NOT 1.5% of the gross sale price of the North Region Crab.

MEMORANDUM OF AGREEMENT

The City of Unalaska (“Unalaska”) and the City of Saint Paul (“Saint Paul”) enter into this Memorandum of Agreement (“MOA”) for the purpose of joint administration of taxation for certain 2024-2025 Bering Sea snow crab landings.

Recitals

A. The Crab Rationalization Program (Program) regulations governing the 2024 Bering Sea Opilio crab fishery (the “BSS Fishery”) include a regional landing requirement under which a certain amount of crab from the BSS Fishery must be landed in each of the “North” and “South” regions, as defined under the Program (the “Regional Landing Requirement”).

B. Due to the extremely low Bering Sea total allowable catch (TAC) for BSS of 4.72 million pounds for the 2024-25 season, of which approximately 1,576,624 million pounds are designated for delivery to the North Region, the lone major processor in the North Region, which is located in Saint Paul Island, announced on October 8, 2024, that it would not be able to process BSS this season, and that alternate processing arrangements in Saint Paul Island and the North Region were not workable given economic and capacity issues. Accordingly, it is not feasible to deliver the BSS crab with a North Region landing designation to a Saint Paul Island, North Region processor.

C. The October 2024 Framework Agreement and subsequent Addendum existing among numerous parties that make the BSS Fishery possible establishes general terms and conditions under which an exemption contract may be negotiated and executed among some or all of the parties thereto, which may include terms for compensation in the event that Regional Landing Requirements are altered by agreement of the parties and ratified by NMFS.

D. To ensure that the entire TAC, including that designated for delivery to the North Region, could be harvested, parties to the Framework Agreement entered into that certain Exemption Contract. The Exemption Contract pertains to up to 1,576,624 pounds of BSS crab with a North Region landing designation that may be harvested in the 2024-2025 season (“North Region Crab”). The Exemption Contract enables the North Region Crab to be delivered to Unalaska, which is in the South Region, rather than to Saint Paul Island, which is in the North Region.

E. However, delivering the North Region Crab to Unalaska results in Saint Paul losing tax revenues and economic benefits and Unalaska gaining those benefits.

F. The parties to the Exemption Contract agreed that the only possible compensation for Saint Paul is monetary relief based on revenues that Saint Paul would have received if the North Region Crab were landed in Saint Paul, consisting of the following:

- 1) Crab landings taxes equal to what Saint Paul would have received if the North Region Crab were landed in Saint Paul, that is 3.5% tax assessed on North Region Crab that is delivered in Unalaska; and

- 2) The municipal share of all State of Alaska Fisheries Business Taxes that are assessed on all North Region Crab and subsequently remitted to the City of Unalaska.

G. However, Unalaska levies a 2% raw seafood tax. To achieve the compensation identified in the Exemption Contract, the Harvesters and Processors agreed that for North Region Crab delivered to Unalaska, the Harvesters would pay, and the Processors would collect and remit to Unalaska, a total of 3.5% (inclusive of Unalaska's tax). That is, the same amount that would be paid and remitted to Saint Paul if North Region Crab deliveries were made to Saint Paul Island.

H. The parties to the Exemption Contract also memorialized their understanding and intent for Unalaska and Saint Paul to agree to implement between the cities the collection and remittance of the compensation for Saint Paul identified by the Exemption Contract.

I. Without the Exemption Contract, the North Region Crab could not be delivered to Unalaska. Unalaska could not collect any raw seafood product tax on any of the North Region Crab. By collecting and remitting to Saint Paul the proceeds of Unalaska's tax assessed on North Region Crab, Unalaska does not "lose" any tax revenue that it would have received without the Exemption Contract. Unalaska will receive secondary and tertiary economic benefits from delivery of North Region Crab to Unalaska, including increased sales tax revenue and increased economic activity resulting from the delivery to and processing of up to 1,576,624 additional pounds of snow crab to Unalaska.

J. The Exemption Contract and implementation of its Saint Paul compensation by the Harvesters and Processors, and by Unalaska and Saint Paul pursuant to this MOA, benefits all parties and affected communities: Harvesters are able to harvest and sell a million and half pounds of crab that would otherwise go unharvested; Processors are able to process a million and half pounds of crab (and sell the processed crab to their customers) that would otherwise go unprocessed; Saint Paul receives landing taxes that could not be assessed if the North Region Crab were not harvested; Unalaska receives economic activity from an additional million and half pounds of crab being delivered to Unalaska, processed in Unalaska, and shipped worldwide from Unalaska.

K. Alaska Statute 29.35.010(13) establishes that all municipalities have the power "to enter into an agreement, including an agreement for cooperative or joint administration of any function or power with a municipality[.]"

Agreement

NOW, THEREFORE, the City of Unalaska and the City of Saint Paul agree as follows:

1. Collection of 3.5% on North Region Crab. Unalaska shall collect its 2% raw seafood tax all North Region Crab sold in Unalaska and from the processors that are parties to the Exemption Contract shall collect an additional 1.5% of the of the primary gross sales value of all North Region Crab sold in Unalaska. To the degree practicable, the entire 3.5% on the sales

value of North Region Crab shall be collected in accordance with UCO Chapter 6.44, including the collector's compensatory discount set forth in UCO 6.44.110.

2. Remittance of North Region Crab Proceeds. (a) Pursuant to the provisions of this section, Unalaska shall remit to Saint Paul the amount of the 3.5% total that Unalaska collects under Section 1 from sales of North Region Crab during the 2024-2025 season, less an administrative fee of 1.5% of the otherwise remittable amount, which shall be retained by Unalaska to offset its costs of administering collection on behalf of Saint Paul.

(b) Unless otherwise agreed to by the cities, on or before March 15, 2025, Unalaska shall remit to Saint Paul the amounts remittable under subsection (a) received by Unalaska on or before February 15, 2025.

(c) Unless otherwise agreed to by the cities, on or before June 30, 2025, Unalaska shall remit to Saint Paul the amounts remittable under subsection (a) that were not previously remitted to Saint Paul. Should Unalaska collect any amount remittable to Saint Paul under subsection (a) after June 30, 2025, Unalaska shall remit such amounts to Saint Paul within 30 days of receipt.

(d) Amounts to be remitted to Saint Paul under subsection (a) shall include any interest or penalty that Unalaska receives from a collector as a result of the collector's delinquent remittance of amounts assessed or levied on the sale of North Region Crab during the 2024-2025 season to the extent those amounts can be reasonably differentiated from interest and penalty on raw seafood product tax amounts retained by Unalaska.

(e) With each remittance of funds pursuant to this section, Unalaska shall furnish to Saint Paul an accounting of amounts collected on North Region Crab sales and remitted to Saint Paul, together with additional documentation as Saint Paul may reasonably request. To the extent that Saint Paul requests documentation or information that is confidential under UCO 6.44.100, Saint Paul shall preserve the confidentiality as a component of municipalities' joint administration of this program.

3. Allocation of Fisheries Business Tax. Saint Paul and Unalaska will both suffer significant effects from fisheries business activities during the 2024-2025 season, including significant effects from the fisheries business activities that are the subject of this MOA specifically. The cities acknowledge and agree that the significant effects Saint Paul suffers from fisheries business activities during the 2024-2025 season significantly exceed the compensation intended by this MOA. Although Unalaska also suffers significant effects from fisheries business activities during the 2024-2025 season, it is the cities' intent and agreement that Saint Paul, in light of the extraordinary hardship, should be the principal beneficiary of any fisheries business tax allocated pursuant to AS 29.60.450 to the extent such allocation is based on or attributable to resource landing tax production value of North Region Crab during the 2024-2025 season (the "Saint Paul Allocation"). The cities shall work in good faith to ensure that the State of Alaska fully funds its obligations to the municipalities under AS 29.60.450 and, to the extent possible, for the Saint Paul Allocation to be transmitted directly to Saint Paul. To the extent that the Saint Paul Allocation is transmitted to Unalaska, within 30 days of Unalaska's receipt of same, the cities shall work in good faith to determine the amount of Saint Paul

Allocation received by Unalaska and Unalaska shall pay said amount to Saint Paul as an effect of fisheries business activities on the municipalities and to reduce those effects.

4. Refunds. In the event that Unalaska is ordered by a court of competent jurisdiction to refund any amount that Unalaska has remitted to Saint Paul pursuant to Sections 2 or 3 of this MOA, Saint Paul shall, within 30 days of such order, absent a stay, pay to Unalaska the same amount.

5. Effective Date. This MOA shall not be effective until it is approved by motion or resolution of the city council of each the City of Unalaska and the City of Saint Paul.

IN WITNESS WHEREOF, the cities have executed this MOA on the respective dates indicated below.

CITY OF UNALASKA

CITY OF SAINT PAUL

William Homka Date
City Manager

Jacob Mercurief Date
Mayor