



THE STATE
of **ALASKA**
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Mr. Lynn Chrystal, Chair
Local Boundary Commission
550 West Seventh Avenue, Suite 1640
Anchorage, AK 99501-3510

Dear Chairman Chrystal

Before providing DCCED's comments on the pending 2015 City of Dillingham and City of Manokotak Annexation Petitions, as well as the draft petition to create a Dillingham or Tikchik Borough, I want to note my previous service for seven years as the City Manager in Dillingham, and thus my familiarity with these issues from a local perspective.

I am also aware that the Bristol Bay Native Association (BBNA) contracted with the McDowell Group to solicit local input. They are providing basic education and the options for borough formation which includes running the financial numbers to see if it is feasible. There have three meetings left, in September, November and after the first of the year. The purpose is for villages across BBNA to receive an independent view of the issue.

With that background, I will be brief in my comments and recommendations, as follows:

1. LBC should approve both annexation petitions.

- The first paragraph of the executive summary states that "The LBC cannot grant both petitions because their proposed annexations overlap." The LBC can amend the boundary for the Manokotak petition to remove Tract B (per staff analysis on page 28 of preliminary recommendation), thus eliminating the overlap and clearing the way for LBC approval of both annexation petitions.

2. LBC should resolve matters as they now stand.

- LBC review and action is scheduled for September 2016 on these petitions.
- It is important to have an LBC-approved petition ready for submission to the Legislative Review process within the required time period (the 1st 10 days of a Legislative session.)
- There is no need to delay action on the current annexation petitions while the borough formation process works itself out politically and legally, as it would delay the ability to levy a local fish tax during the 2017 fishing season. (Tax was collected during parts of 2012-2014, and brought in approximately \$600,000 annually.)

- The LBC Staff Preliminary Recommendation does not have any specific timeline about when borough petition would be submitted to legislature, no specific explanation about who would prepare the petition and how long it would take to prepare, no specific pre-filing process (such as Dillingham and Manokotak both followed before filing their legislative review annexation petitions) to explain petition to residents before it is filed.
- 3. Borough formation discussions are proceeding in the region now. This process should be encouraged to proceed and there is no need to impose terms and ideas as to what a Dillingham Census Area Borough should be.**
- Borough formation discussions are underway in the region via the just initiated BBNA study (Dillingham and Aleknagik provided the fiscal match for the grant funding). The McDowell Group thus is already under contract for outreach and education throughout the region.
 - The BBNA study is scheduled to conclude early in 2017. Even if this schedule is met, it will take time to work out details regarding the legal and political process.
- 4. Approving both annexation petitions does not delay or negate the possibility of a successful future borough.**
- The LBC stated in their December 2011 findings on the Dillingham annexation (identical, except for process for approval) the following:
“The city is the appropriate government for the territory because the rest of the region’s communities need a stronger regional hub for their sustainability. We find that the city of Dillingham is the appropriate government for the territory because the city is the region’s hub, because the annexation could encourage, not hinder, borough formation, and because approving the annexation petition does not remove any present or future fish tax revenue for existing communities or a future borough.”
We find that the petition satisfies 3 AAC 110.135’s requirement for annexation.” (page 10)
 - There can be both post-annexation (enlarged) Dillingham and Manokotak local fish taxes AND a future Borough local fish tax. This is how it works in other places in western Alaska:
 - The cities of Egegik, Pilot Pt, and Chignik levy a local fish tax AND the Lake and Peninsula Borough also levies a borough tax on these same fisheries. The cities of Sand Point and King Cove levy a local city fish tax AND the Aleutians East Borough levies a borough fish tax on these same fisheries.
 - In the examples cited above the combined city and borough local fish tax rates vary from 3- 5%. Dillingham previously collected and proposes again to collect a 2.5% fish tax, leaving an opportunity for a future borough fish tax.
- 5. The region should decide for itself what to do and the current analysis is incomplete for decision-making.**
- The Preliminary Recommendation on page 59 states that if approved a transition plan will be needed. The transition plan needs to be developed in close consultation with various local entities including the Southwest REAA

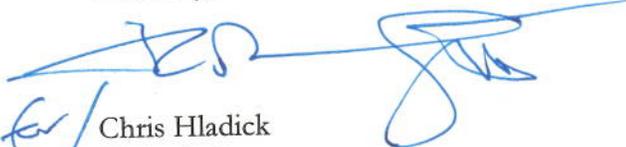
School District, Dillingham School District and others to insure that the potential initiation of a Borough School District and the orderly transition of other powers and services are properly planned.

- In another Preliminary Recommendation on page 60 it states that:
“(14) There is no petition, but the recommendation is that the LBC propose a second class borough, not a home rule borough. The LBC staff finds that 3 AAC 110.981 is met.” As Commissioner, I find this conclusion premature, as local entities should decide whether to form a second class or home rule borough.
- Another Preliminary Recommendation on page 48 states that:
“The LBC staff is recommending that the LBC propose forming a borough. As a proposed borough would need to determine its preferred levels of service, it is unwise to project accurately specific numbers for the proposed borough.” This preliminary recommendation leaves unanswered numerous vital questions, as follows:
 - What rates of taxation and types of taxes are necessary as part of the borough formation proposal?
 - What powers and services will the new borough offer?
 - What apportionment scheme will be in effect in the new borough- how many seats will there be on the Assembly?
 - Typically borough formation petitioners must present a three year budget with assumptions about tax types and rates as well as the cost of providing services. Who should prepare this budget and offer a fiscal analysis?

In summary, it is my belief that the formation of a borough in the region is first and most properly a regional question, and the draft petition for borough formation is premature and not ripe for decision by the LBC at this time. To wait is to delay revenue to local governments during the current fiscal shortfall. Further, boundaries can be amended at the time of borough formation by the LBC.

Thus, my recommendation is for amending and then adopting the two locally generated annexation petitions, which do not impede further regional discussions regarding borough formation.

Sincerely,



Chris Hladick
Commissioner

cc: Local Boundary Commission Members
Fred Parady, Deputy Commissioner, DCCED
Katherine Eldemar, Director, DCRA