

PETITION FOR LEGISLATIVE REVIEW ANNEXATION TO A CITY WITHIN AN ORGANIZED BOROUGH

The petitioner hereby requests that the Alaska Local Boundary Commission approve this petition for annexation pursuant to Article X, Section 12 of the Constitution of the State of Alaska and AS 29.06.040(b). All Exhibits attached to this petition are incorporated herein by reference.

1. PETITIONER. The name and class of the city petitioning for annexation are listed below:

Name: City of Ketchikan, Alaska (hereafter “City”).
Class: Home Rule.

2. GENERAL DESCRIPTION OF TERRITORY. The territory proposed for annexation (hereinafter referred to as the North Tongass Addition) is approximately one half square mile in size and extends north from the City’s boundary for about one mile along the North Tongass Highway. It is generally described as follows:

Such real property as is situated northwest of the City limits, located in the Ketchikan Gateway Borough, First Judicial District, State of Alaska, generally consisting of a portion of the North Tongass Highway right-of-way; the Signal Road right-of-way; the Rex Allen Drive right-of-way; the Larsen Street right-of-way; the Bucey Avenue right-of-way; the Hastings Street right-of-way; entire U.S. Survey 1833; entire U.S. Survey 1413; entire U.S. Survey 2796; entire U.S. Survey 1404; entire U.S. Survey 1273; entire U.S. Mineral Survey 1266; entire U.S. Survey 1403; U.S. Survey 1587, Block 1, Tract 1001; U.S. Survey 1831 and U.S. Survey 2270, Tract 3002, Lots 1AA, 1B-1, 1C-1, 1D-1, 1E-1 and 2A-1; U.S. Survey 1831 and U.S. Survey 2270, Tract A, Lots 1, 2, 3, 4, 5, 6, 7, 8 and unsubdivided remainder; U.S. Survey 1269, Lots 1, 2, and 3; Alaska Tidelands Survey 537; Alaska Tidelands Survey 854; Alaska Tidelands Survey 1145; Alaska Tidelands Survey 1262; Alaska Tidelands Survey 1339; Alaska Tidelands Survey 1534; U.S. Survey 1831 and U.S. Survey 1832, Lots 4; and U.S. Survey 1832, Block 2, Lots 18, 19, 30 and 31.

3. REASONS FOR ANNEXATION. A statement of the reasons that the City wishes to annex the territory in question is provided below:

The City of Ketchikan is a Home Rule municipality located on Revillagigedo Island situated in southern southeast Alaska. Having a population of 8,460, which represents 59% of total Borough inhabitants, the City of Ketchikan has been the center of residential, retail and business activity within the greater Ketchikan community.¹ Of the

¹ Department of Community and Regional Affairs, December, 1998.

\$292,972,085 reported as total gross Borough sales in 1997, 81% or \$237,329,649 occurred within the City of Ketchikan (see Exhibit I-1).

The area that the City is proposing to annex (see Exhibit C) has been the subject of consideration for several years. In 1993 and 1994 the City, at the request of one or more property owners, engaged in extensive discussions with Department of Community and Regional Affairs' staff to the Local Boundary Commission, in order to advance a "strip" annexation of a number of parcels within this vicinity. Due to several reasons the annexation was abandoned, but significant commercial and retail growth has continued to occur in this region north of the City (see Exhibit I-2). The nature of the area is changing, evolving from rural and undeveloped lands into a commercial corridor comparable to other business districts within the City. The six commercial establishments that have located to the area in question, including a car dealership, bank and restaurant/inn, are similar in characteristics to businesses situated within the Ketchikan urban setting.

While the City is supportive of such economic expansion within the community, it is concerned that it does not contribute to the regional services and infrastructure that the City provides. In some cases this growth is actually reducing the City's revenue base that funds those services and infrastructure that are afforded to the greater Ketchikan community.² The City is equally concerned that as the territory fully develops, public safety services and infrastructure presently in place will not be sufficient to meet the public need. The City Police Department responds, for example, to in excess of 275 calls annually to Plaza Port West, a centrally located shopping mall in the City. As will be discussed in this petition, should a major commercial development locate in the area proposed for annexation, it is unlikely that the local complement of Alaska Troopers will be able to respond to comparable service demands given the fiscal constraints confronting the State.³

Likewise, fire protection requirements are predicated upon the largest structure and its use. Given the size of pending development within the area proposed for annexation, i.e., a 64,000 square foot building within a planned 138,000 square foot commercial center, the present service area district does not have the equipment or manpower available to meet fire suppression standards established by the National Fire Protection Agency (NFPA) (see Exhibit I-3).

While annexation has been considered as an appropriate method to resolve these issues in the long-term, it has now become a question of more immediate concern. In November of 1998 the Wal-Mart Corporation announced its intention to construct a 64,000 square foot facility at Mile 4 North Tongass, which is approximately one mile north of the City limits (see Exhibit I-4). Planning efforts are currently underway including the approval of a preliminary plat (see Exhibit I-5) and, if the facility is constructed as envisioned, the City anticipates that there will be a major shift of retail sales within the community. This

² New overnight lodging facilities and relocated auto sales and service dealerships outside the City limits are projected to result in the annual loss of \$97,000 in transient occupancy and sales taxes.

³ Alaska State Trooper A Detachment Commander Charles Feller and Deputy Commander Nils Monsen have advised the City that given the extent of planned development at Mile 4 North, the Ketchikan Police Department is better positioned to serve the territory proposed for annexation.

shift can be expected to increase during the next two to five years as additional businesses relocate to this retail center including a proposed grocery store and movie theater (see Exhibit I-6). As was stated in the executive summary of the traffic analysis that was prepared for the Borough Planning Commission, the full buildout of this development is estimated at 138,000 square feet generating 9,175 daily vehicle trips (see Exhibit I-7).

Should the development proceed as planned absent the proposed annexation, the City anticipates a shift of \$33.1 million in retail sales from within the City to Mile 4 North at full buildout (see Section 14 of the Petition). As was noted in the Retail Trade Analysis for Kodiak Island, Alaska, which was prepared for the Kodiak Chamber of Commerce in May of 1998 in anticipation of a Wal-Mart presence, “when a discount mass merchandiser opens a new store in a town that is not growing rapidly, the result is analogous to a zero-sum-game (see Exhibit 8).” If the \$40 million in sales projected by the developer does in fact materialize (see Exhibit I-6), or should such sales in fact be even higher as will be discussed within this petition, the City of Ketchikan could experience a significant reduction in retail volume and the loss of as much as \$1.16 million in annual sales taxes (see Section 14 of the Petition). Such a revenue loss would be above and beyond that previously noted due to overnight lodging facilities and auto sales and service dealerships locating outside the City. Additionally, the City expects some commercial property values to decline. While not presently quantified, such erosion of the real and personal property tax base will further diminish the financial resources available to the City to fund services and infrastructure.

Within this context there are two immediate reasons why the City wishes to annex the territory in question. The first is to maintain the City’s existing sales tax base, in order that it can continue to provide services that benefit both the residents of the City and the non-City population. The second reason is to capture the benefits of the additional property and sales taxes that will be generated from the annexed properties, in order to mitigate the erosion to the City’s commercial property tax base that is expected to result from a major commercial/retail development locating at Mile 4 North. These reasons are explored in depth as follows:

1. To protect the City’s existing sales tax base so it can continue to provide services that benefit the citizens of both the City and non-City residents of the Borough.

Approximately eighty-one percent (81%) of all retail sales tax receipts collected in the Ketchikan Gateway Borough take place within the City limits. In addition, when one considers the closure of the Ketchikan Pulp Mill, which was the community’s largest employer, the majority of non-City residents now work within the City limits. The City has developed and put into place infrastructure and other important regional services that are utilized by both City and non-City residents. City residents pay for these services **both** by property taxes and sales taxes assessed on sales occurring within the City limits. Non-residents contribute **only** to the extent that they purchase goods and services within the City and pay City sales tax on such goods and services.

Among some of the most important services and infrastructure provided to both City residents and non-City residents, which are financed in part through the assessment of sales taxes, include the following (see Exhibit I-9):

- Regional hospital health care services.
- Community mental health and substance abuse services.
- Regional emergency medical services.
- Regional emergency dispatch services.
- Public health services.
- Senior citizen support services.
- Maintenance of major transportation collector streets.
- Community cemetery services.
- Cultural services including the museum, library and civic center that are utilized by both City and non-City residents.
- Police services which provide for the public safety of City residents and non-City residents who work within the City limits.
- Parking enforcement services which manage the City's parking system for the benefit of City residents and non-City residents who work and shop within the City limits.
- Regional tourism services.

In order to finance the cost of these and other services, the City of Ketchikan currently levies a three and one-half percent (3.5%) tax on all sales occurring within the City limits. One percent (1%) is dedicated to the Hospital Sales Tax Fund; one percent (1%) is dedicated to the General Fund for public safety services; and one and one-half percent (1.5%) is dedicated to the Public Works Sales Tax Fund. A six percent (6%) transient occupancy tax is also assessed.

For the year ended December 31, 1998 the City earned sales tax revenues of approximately \$6.5 million. Of this amount, \$1,860,000 was deposited in the General Fund, in order to support police and fire operations. Another \$1,860,000 was deposited into the Hospital Sales Tax Fund, in order to promote the development of regional health care facilities and services. Currently, \$900,000 of the \$1,860,000 deposited into the Hospital Sales Tax Fund is designated for annual debt service for a \$10.7 million general obligation bond issue that was sold in 1997, in order to finance a community hospital renovation and additions project. Ketchikan General Hospital, which is owned by the City and operated by PeaceHealth Corporation, serves residents of Ketchikan, Metlakatla and Prince of Wales Island. Another \$520,000 of the \$1,860,000 deposited to the Hospital Sales Tax Fund was allocated to support community-wide mental health and substance abuse programs provided by the City through the Gateway Center for Human Services.

Lastly, \$2,780,000 was deposited into the Public Works Sales Tax Fund. These funds are primarily used to support public works projects such as street construction/paving projects and improvements to public facilities owned and operated by the City including the Ketchikan Public Library, the Tongass Historical Museum, the Totem Heritage Center and the Ted Ferry Civic Center. These are important community assets, which are used and

enjoyed by residents throughout the Borough. Public Works Sales Tax Funds are also allocated to the General Fund, in order to partially finance the operations of the Public Works Department and to the Debt Service Fund to finance annual debt (\$200,000) on fire apparatus that was acquired in 1997.

Absent approval of the proposed annexation, the loss of sales tax revenues in the amount of \$1.16 million will have a significant impact on the City's ability to continue providing regional services and infrastructure. Assuming that there will be no change in the assessed value of commercial properties within the City once the development at Mile 4 North is built out, City residents could see an increase in the municipal mill levy from the current 6.4 rate to 8.6, in order to compensate for the loss of \$1.16 million in sales tax revenues. Alternatively, the City could reduce or eliminate regional services that are currently provided to and taken advantage of by all residents of the community. The latter is neither desirable nor realistic.

One can make the argument, albeit a weak one, that shifting retail sales to the development at Mile 4 North will decrease the need for services and infrastructure provided by the City. While the City acknowledges that the need for some services and infrastructure might marginally decrease and costs could be adjusted accordingly, the fact remains that the City is the center of the majority of business and economic activity that takes place within the greater Ketchikan community. The debt service of the \$10.7 million bond issue for the hospital renovation & additions project will have to be paid and mental health & substance abuse services should continue to be provided to the community at large. Streets will still need to be maintained. Police, fire protection and emergency medical services will have to be afforded to residents of the City and non-residents alike. Lastly, the community will continue to want access to those educational and cultural assets that the City maintains. **Raising the property taxes of City residents to compensate for the loss of sales tax revenue is not only an inequitable burden, it is also unacceptable as long as the City continues to provide services and infrastructure that are used by the entire community.**

Annexation of the proposed properties is the only viable alternative. By incorporating these properties into the City limits, Ketchikan preserves its sales tax base. With the exception of solid waste collection, water treatment/distribution and wastewater treatment/collection, the services that the City currently provides will be afforded to the properties proposed for annexation. Non-City residents can continue to receive the current level of services and infrastructure that the City provides to the entire community and, as a result of annexation, will continue to pay an equitable share.

- 2. To capture the benefits of the additional property and sales taxes that will be generated from the annexed properties, in order to mitigate the erosion of the City's commercial tax base that is expected to occur as a result of a major commercial/retail development locating at Mile 4 North.**

The City anticipates that some commercial property values may decline as a result of the proposed development at Mile 4 North. Again, as was stated in the Retail Trade

Analysis for Kodiak Island, Alaska, “merchants selling the same merchandise as the mass merchandiser will probably suffer sales declines.” Although not quantified, the City fully expects that a number of local businesses will not be able to compete with a Wal-Mart or another mass merchandiser and, as a result, Ketchikan will experience a decline in some commercial property values. This is particularly true when one considers the disparity between the 5.5% sales tax charged inside the City compared to the 2.0% charged outside the City. Unless the proposed Mile 4 North development is annexed, Wal-Mart and companion retailers will have an immediate 3.5% competitive advantage over retailers within the City. Since the tax is paid by the customer, shopping at the Mile 4 North development will save customers 3.5% even if prices charged by retailers inside the City are the same.

A less direct, but still significant competitive advantage for Wal-Mart and companion retailers at Mile 4 North arises from the property tax differential. A retailer located within the City will directly or indirectly pay real property taxes at the rate of 13.4 mills. Without annexation, the rate in the North Tongass Addition is 8.92. On a nine million dollar development, this difference would save Mile 4 North retailers a total of \$40,320 annually which they can pass through in whole or in part to their customers. The City retailer will be unable to match this savings and may in fact be hit harder due to declining sales taxes and declining property values. While this higher mill rate may be somewhat counteracted by a lowering of City retailers’ property values, the City retailer loses either way.

Although previous studies have suggested that a decline in property values experienced as a result of a major retailer forcing local competition out of business is temporary, Ketchikan is already in a state of transition. The closure of the Ketchikan Pulp Mill and the new Spruce Mill retail/commercial development have already generated a higher than desired level of vacant retail space within the City. The addition of the development at Mile 4 North and the expected closure of some local businesses due to competition may compound the problem and drive vacancy rates even higher. Such an erosion is likely to have an adverse impact on the value of some commercial properties and a return to normal levels is expected to take longer than otherwise might be anticipated due to Ketchikan’s transitional status.

As long as the City is enabled to annex the proposed properties, including the development at Mile 4 North, it will be the beneficiary of the new property and sales taxes to be generated (see Sections 14 and 15 of the Petition). The new revenues generated from a possible reduction in community retail sales “leakage”, the ability to attract out-of-town shoppers and the inclusion of new properties on the City’s assessment roll will partially mitigate the erosion of the existing commercial property tax base and in part offset the cost of providing services to the annexed properties.

4. LEGAL DESCRIPTION OF TERRITORY. A written legal description of the territory proposed for annexation is presented in **Exhibit A**.

5. LEGAL DESCRIPTION OF POST-ANNEXATION BOUNDARIES. A written legal description of the boundaries of the City should the annexation be approved is provided in **Exhibit B**.

6. MAPS AND PLATS. A map showing the current boundaries of the City and the territory proposed for annexation, and plats and other documents necessary to demonstrate the accuracy of the written legal description of the territory proposed for annexation is presented in **Exhibit C**.

7. SIZE. The territory proposed for annexation is estimated to encompass 0.48 square miles.

8. PETITIONER'S REPRESENTATIVE. The City designates the following individual to serve as its representative in matters concerning this annexation proposal:

Name:	Karl R. Amylon, City Manager
Address:	334 Front Street Ketchikan, Alaska 99901
Telephone #	(907) 228-5603
Fax #	(907) 225-5075

9. POPULATION. The population within the current boundaries of the City is estimated to be: 8,460. The population of the territory proposed for annexation is estimated to be: 100 (see Exhibit I-10).

10. INFORMATION RELATING TO PUBLIC NOTICE. **Exhibit D** offers information relevant to providing public notice of the annexation proceedings. This includes information about local media, adjacent municipal governments, places for posting notice, location where the petition may be reviewed and parties who, because of their interest in this matter, may warrant individual notice of the annexation proceedings.

11. CITY TAXES. The type and rate of each tax currently levied by the City is listed below:

Tax Type	Tax Rate
Real and Personal Property	6.4 mills
Sales	3.5%
Transient Occupancy	6.0%

12. BOROUGH TAXES IN THE TERRITORY. The type and rate of each borough tax levied in the territory proposed for annexation is listed below:

Tax Type	Tax Rate
Borough Area Wide Real and Personal Property	7.0 mills
Shoreline Service District Real and Personal Property*	1.0 mills
Borough Non-Area Wide Real and Personal Property*	.92 mills
Sales	2.0%
Non-areawide Transient Occupancy*	4.0%

*Taxes will no longer be assessed upon annexation.

13. TAXABLE VALUE OF REAL AND PERSONAL PROPERTY. The following is the value of taxable property in the City and the territory proposed for annexation based on the preliminary assessment roll as of January 1, 1999:

Within current City boundaries, net of Senior Citizen/Disabled Veteran properties valued at \$35,500,000:

Real property:	\$460,083,200
Personal property:	\$ 33,000,000

Within area proposed for annexation, net of Senior Citizen/Disabled Veteran properties valued at \$395,410:

Real property:	\$ 19,754,590
Personal property:	\$ 1,100,000

It is anticipated that the area proposed for annexation will officially come under the jurisdiction of the City on July 1, 2000. Assuming that assessed value appreciates at an annual rate of two percent, the area proposed for annexation is projected to have an assessed value of \$21,271,682 on July 1, 2000. This estimate does not include any planned growth or development.

It is reasonably projected that planned growth and development in the area proposed for annexation will result in the following increases in assessed value in the territory proposed for annexation during each of the first three full years following annexation:

<u>Type of Property</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Real property	\$6,278,000	\$1,600,000	\$5,097,000
Personal property	419,000	113,000	340,000
Total	<u>\$6,697,000</u>	<u>\$1,713,000</u>	<u>\$5,437,000</u>

The total projected assessed value of the property in the area proposed for annexation, including all estimated improvements, and assuming a 2% increase in assessed value annually, for each of the first three full years is as follows:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Real and personal property	\$27,969,000	\$30,241,000	\$36,283,000

At its current mill levy of 6.4, the City would realize additional property tax revenues in the territory proposed for annexation as follows:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Property tax revenues	\$179,002	\$193,542	\$232,211

14. VALUE OF TAXABLE SALES. Two types of taxable sales will be generated as a result of the proposed annexation: (1) consumer sales; and (2) overnight lodging sales subject to the transient occupancy tax. The first has to be reviewed in terms of existing businesses and the proposed development at Mile 4 North.

1. Consumer Sales. According to information provided by the Borough Auditor, total gross sales of \$19,893,451 were generated by the 14 businesses in 1997 within the territory proposed for annexation (see Exhibit I-11). Of this amount \$2,919,189 was subject to Borough sales tax and generated sales tax revenues of \$58,383. The remaining balance of \$16,974,262 was not subject to sales tax because sales over the first \$1,000 are exempt from taxation (two auto sales and service dealerships are located in the territory to be annexed). Applying the City's sales tax levy of 3.5% would have produced \$102,172 in additional sales tax revenues if the territory proposed for annexation had been within the City limits. Restating these numbers in 2001 dollars, assuming a 2% annual growth rate, gross sales are estimated to approximate \$21,533,000. Of this amount about \$3,160,000 will be subject to the City sales tax levy and will generate additional sales tax revenues of \$110,600.

No formal quantitative studies have been done to determine the impact on retail sales in the community if Wal-Mart proceeds with its development at Mile 4 North. Upon its completion, the new development together with existing businesses would create the third largest commercial center in the greater Ketchikan area. The owner of the property has stated that the plans for the development include a grocery store and theater and could generate as much as \$40 million annually in retail sales (see Exhibit I-6). As is detailed below, the City believes the value of consumer sales that would be subject to City sales taxes upon annexation and full buildout at Mile 4 North is estimated to be \$47,050,000 by 2003. The estimate assumes full buildout of approximately 138,000 square feet of

commercial and retail space located one mile north of the present City limits that is projected to generate 9,175 vehicle trips per day. The commercial and retail space is expected to include a mass discount merchandise store, a grocery store, a theater complex, a restaurant/fast food establishment and other miscellaneous non-competing businesses associated with large commercial centers. Construction of the discount retailer (Wal-Mart) is anticipated in 1999 and total buildout of the center is projected in three to five years thereafter.

**ESTIMATED TOTAL GROSS SALES
AND
PROJECTED SHIFT OF GROSS SALES
PROPOSED MILE 4 NORTH DEVELOPMENT
KETCHIKAN, ALASKA**

Estimated Total Gross Sales

Type of Business	2001	2002	2003
Mass Discount Retailer	\$22,000,000	\$22,440,000	\$22,890,000
Grocery Store			16,000,000
Restaurant/Theater		3,000,000	3,060,000
Other		5,000,000	5,100,000
Total	<u>\$22,000,000</u>	<u>\$30,440,000</u>	<u>\$47,050,000</u>

**Projected Shift of Gross Sales
from the City**

Type of Business	2001	2002	2003
Mass Discount Retailer	\$12,500,000	\$12,790,000	\$13,050,000
Grocery Store			16,000,000
Restaurant/Theater		1,500,000	1,530,000
Other		2,500,000	2,550,000
Total	<u>\$12,500,000</u>	<u>\$16,790,000</u>	<u>\$33,130,000</u>

Revenue projections assume 2% growth annually. The rationale for the projected shift of gross sales from the City is discussed below.

According to the Retail Trade Analysis for Kodiak Island, which was prepared by Kenneth E. Stone, Ph.D. and Scott J. Baumler, M.S., in May of 1998 for the Kodiak Chamber of Commerce, it was estimated that total gross sales from a mass discount retail store in Kodiak would be \$20 million. While no formal study has been conducted in Ketchikan, the projected Wal-Mart store size in Ketchikan is comparable to the store under construction in Kodiak. The two island communities' similarity in population size and lack of roaded access provide for reasonable projections regarding sales in Ketchikan. The Kodiak report estimated that sixty percent (60%) of the total sales would be diverted from existing merchants. Assuming \$20 million in sales as a baseline in Kodiak, several factors indicate that gross sales in Ketchikan will be higher.

First, nearly all of Ketchikan's population will have roaded access to Wal-Mart as opposed to Kodiak's population, eight percent (8%) of which is located on remote islands. Second, yearly earnings within the Ketchikan Gateway Borough is sixty percent (60%) higher than the Kodiak Island Borough, which should result in significantly higher buying power.⁴ Lastly, Ketchikan is the center of business activity within southern southeast Alaska and serves the seven thousand residents of Prince of Wales, Metlakatla and the outer Ketchikan Gateway Borough census area.

As with Kodiak, a certain percentage of Wal-Mart's sales are projected to represent "new" retail activity from the natural draw or enlargement of the trade area, as well as the addition of sales that currently occur when residents make purchases outside the community as a result of travel, better service, selection, price, etc. This latter consideration, commonly referred to as "leakage," was estimated at 40% in Kodiak and 60% was projected to shift from other merchants to Wal-Mart in that particular trade area. As was noted earlier in this petition, 81% of the total gross sales in the Ketchikan Gateway Borough occur in the City. It is anticipated that Wal-Mart will typically compete with and shift sales from businesses located within the City as opposed to light commercial and heavy industrial businesses located outside the City of Ketchikan. If the sixty percent shift projected in Kodiak is accurate, it is projected that 95% of Wal-Mart's sales will shift from merchants located within the City. This equates to \$12.5 million or 57% (95% of 60%) of the total \$22 million in sales that Wal-Mart is expected to generate.

Once the mass discount retail store is constructed, it is anticipated that one of the three major grocery stores currently located within the City limits will be relocated to the Mile 4 North development. Given gross sales of approximately \$16 million each, it is unlikely that the Ketchikan economy can sustain a fourth commercial grocery. As a result of the anticipated draw of Wal-Mart, it is estimated that one hundred percent (100%) or \$16 million of this commerce will shift from the City.

It is also expected that the existing movie theater in the City and a restaurant/fast food establishment will locate at Mile 4 North. The addition of these facilities to the development will attract local residents as well as residents from the Prince of Wales Island and Metlakatla. These facilities are projected to generate annual gross sales of \$3 million.

⁴ Department of Labor, 1996

Approximately 50% of the annual gross sales will come from facilities currently located in the City.

Lastly, as the shopping center establishes itself in the community, it is anticipated that small, noncompetitive ancillary businesses will emerge in its proximity. Although specific businesses that may locate to this area cannot be identified at this time, for the purposes of this report an estimated \$5 million in annual gross sales is projected. Of this amount fifty percent (50%) is projected to be sales that otherwise would have occurred within the City limits.

Upon completion, the development is expected to generate annual sales of \$47.05 million from within Ketchikan and the surrounding communities by 2003. Of that amount, 33.13 million is anticipated to be sales that otherwise would have taken place within the existing City limits. When added to the estimate of projected gross sales for businesses presently located within the territory proposed for annexation, a total of \$69.45 million in sales is anticipated upon the annexation and full buildout of the Mile 4 North development in 2003.

Since the planned commercial development for the territory proposed for annexation is not expected to be completed by 2001, the following projections of gross sales, taxable sales, sales shifted from the City and sales tax revenues have been prepared under the assumptions that the planned commercial development will be fully operational by July 1, 2003 and that sales will grow at an annual rate of 2%.

	2001	2002	2003
Gross Sales from Existing Businesses	\$21,533,000	\$21,964,000	\$22,403,000
Gross Sales from New Businesses	22,000,000	30,440,000	47,050,000
Total Gross Sales	\$43,533,000	\$52,404,000	\$69,453,000
Taxable Sales Subject to City Sale Tax	25,160,000	33,663,000	50,338,000
Portion of Sales Shifted from the City	12,500,000	16,790,000	33,130,000
Total Sales Tax Revenues	880,600	1,178,205	1,761,830
Sales Tax Revenues on Sales Shifted from the City	437,500	587,650	1,159,550
Net Increase in Sales Tax Revenues	443,100	590,555	602,280

The primary difference between gross sales and taxable sales is sales over \$1,000 such as sales of automobiles, appliances and furniture are exempt from sales tax after the first \$1,000 of the purchase.

2. Overnight Lodging Sales. The City levies a transient occupancy tax of six percent (6%) on overnight lodging sales. The total projected transient occupancy tax in the area proposed for annexation, assuming 2% annual growth in overnight lodging annually, for each of the first three full years is as follows:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Taxable Overnight Lodging Sales	\$533,000	\$544,000	\$555,000
Transient Occupancy Tax Revenues	\$31,980	\$32,640	\$33,300

15. OTHER REVENUES. It is estimated that annexation will result in the following additional revenues to the City:

Revenues derived from responding to false alarms and system activations within the territory proposed for annexation are projected to increase by \$3,500 annually.

Revenues derived from Safe Communities Funding and State Revenue Sharing is expected to increase by \$13,652, annually, subject to funding by the State of Alaska.

16. EXPENSES. It is estimated that annexation will result in the following additional operating and capital expenses to the City:

Operating Expenses

All operating expenses are stated in 2001 dollars and adjusted annually by two percent (2%) for inflation.

Fire Services:

Based on the present scope of annexation, twelve additional hours of training will be required per year for all personnel to meet National Fire Protection Agency (NFPA) and Insurance Services Office, Inc. (ISO) requirements. Fire Prevention inspections will be provided in the territory proposed for annexation and additional EMS responses are projected as a result of the development at Mile 4 North. Lastly, the City has proposed to enter into an agreement with the Shoreline Fire District to provide automatic first alarm response within the subject territory.

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Estimated Cost	\$43,700	\$44,574	\$45,465

Based upon the present scope of annexation, three additional officers, one for each patrol shift, will be required to provide service within the territory and to maintain the current level of services within the City of Ketchikan.

	2001	2002	2003
Estimated Cost	\$71,000	\$144,840	\$221,605

Public Works-Engineering

Based upon the present scope of annexation, it is anticipated that the Public Works Department will provide engineering services on an annual basis, in order to address street and drainage improvements. Building inspection services will also be provided on a prospective basis.

	2001	2002	2003
Estimated Cost	\$18,000	\$18,360	\$18,730

Public Works-Streets:

Based on the present scope of annexation and conditions as they presently exist within the territory, it is anticipated that annual street and drainage maintenance will be required.

	2001	2002	2003
Estimated Cost	\$25,000	\$25,500	\$26,010

Total Operating Costs:

The total estimated operating costs for all services to be provided to the area proposed for annexation, by function, are as follows:

Type of Service	2001	2002	2003
Fire Services	\$43,700	\$44,574	\$45,465
Police Services	71,000	144,840	221,605
Public Works:			
Engineering	18,000	18,360	18,730
Streets	25,000	25,500	26,010
Total	\$157,700	\$233,274	\$311,810

Capital Expenses

Fire Services:

There is currently no water service provided to the area proposed for annexation. As a result there is an inadequate source of water for fire protection. In order to provide for adequate fire protection, two City fire vehicles will have to be equipped with drafting equipment and two portable water supply tanks will have to be acquired:

	2001	2002	2003
Estimated Cost	\$19,100		

Police Services:

In order to provide adequate police coverage to the area proposed for annexation, one additional patrol vehicle will have to be acquired.

	2001	2002	2003
Estimated Cost	\$28,000		

Streets:

Several streets located within the area proposed for annexation do not meet City standards and safety concerns regarding one street have been raised. Certain streets have poor surface conditions, which will require surfacing to bring the streets to acceptable standards for industrial traffic. One street is located along a steep embankment and should be secured with guardrail.

	2001	2002	2003
Estimated Cost	\$75,000	\$200,000	

Total Capital Costs:

The total estimated capital costs for improvements planned for the area proposed for annexation amounts to \$322,100. A summary by function and year that the improvements are tentatively planned to be implemented is as follows:

Type of Service	2001	2002	2003
Fire Services	\$19,100		
Police Services	28,000		
Public Works:			
Streets	75,000	\$200,000	
Total	\$122,100	\$200,000	

17. POWERS AND SERVICES. Listed below are the services and facilities currently provided by the City within its existing boundaries: All of these services, except for those designated below, will be extended to the area in question upon its annexation.

Services provided within existing Borough limits:

The City of Ketchikan currently provides both Borough-wide and City-only services and facilities. Services and facilities provided Borough-wide include:

- Hospital Services
- Emergency Medical Services
- Emergency Dispatch Services
- Human Services (mental health and substance abuse treatment)
- Harbors
- Port of Ketchikan
- Library
- Museum
- Civic Center
- Solid Waste Disposal
- Cemetery
- Telephone
- Electricity

Services provided within the City limits only include:

- Police Protection
- Fire Protection*
- Streets and Storm Drains Maintenance
- Solid Waste and Recyclables Collection
- Public Works Engineering (including building code enforcement)
- Municipal Facility Maintenance
- Wastewater Collection and Treatment (provided by the City and funded through separate enterprise fund user fees)
- Water Treatment and Distribution (provided by Ketchikan Public Utilities and funded through separate enterprise fund user fees)

* The City maintains mutual aid agreements with rural fire departments.

Services not to be extended to the annexed area:

City services and facilities currently provided on a Borough-wide basis will continue to be provided by the City. Services and facilities provided within the City limits only that will not be extended to the annexed area include:

- Solid Waste and Recyclables Collection
- Water Treatment and Distribution
- Wastewater Treatment and Collection

Solid Waste and Recyclable Collection in the area proposed for annexation is currently franchised to Tongass Sanitation by the Alaska Public Utilities Commission (APUC). Upon annexation, the City will make a determination as to whether to apply to APUC to expand its Certificate of Need to service this area.

Since Water Treatment/Distribution and Wastewater Treatment/Collection are financed through enterprise funds, the cost of services, including capital improvements, is recouped through user fees. As the population and number of commercial enterprises in the territory to be annexed is small, there is no immediate intent to provide water and wastewater services. As the area continues to grow and develop, the delivery of these services will be further evaluated by the City and Ketchikan Public Utilities.

18. EXTRATERRITORIAL POWERS. The City currently exercises the following powers within the territory proposed for annexation under authority of AS 29.35.020:

The City provides a number of services for the territory proposed for annexation and for other areas outside of the City's boundaries. Most of these services are not provided as an exercise of the City's extraterritorial powers under AS 29.35.020. Some services are provided by mutual aid agreements (firefighting services) or to assist other governmental agencies (law enforcement). Other services provided by the City are available at large without regard to municipal boundaries (hospital, cemetery, mental health and substance abuse services). Three of the services provided to the territory proposed for annexation are provided under its extraterritorial powers. These are electric and telephone services provided by the City d/b/a Ketchikan Public Utilities and emergency medical services.

19. BONDED INDEBTEDNESS. The following is a summary of the current bonded indebtedness of the City as of December 31, 1998:

<u>Bond Issue</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Date When Fully Paid</u>
1986 Series A	\$ 2,455,000	\$ 572,000-584,000	2003
1994 Series Port	\$ 3,990,000	\$284,000-1,310,000	2013
1997 Series Hospital	\$10,450,000	\$ 867,000-894,000	2017
1997 Series Fire	\$ 855,000	\$ 196,000-207,000	2003

20. BOROUGH SERVICE AREAS. The territory proposed for annexation is included partially in the Shoreline Service Area. A map showing the boundaries of this service area and the boundaries of the territory proposed for annexation is presented as **Exhibit E**.

21. TRANSITION PLAN. **Exhibit F** consists of a practical plan demonstrating:

1. The intent and capability of the City to extend essential city services (as defined by 19 AAC 10.990(a)(8)) into the territory proposed for annexation in the shortest practical time following annexation.

2. The manner in which the City will assume all relevant and appropriate powers, duties, rights, and functions presently exercised within the territory proposed for annexation.

3. The manner in which the City will assume and integrate all relevant and appropriate assets and liabilities of an existing borough or other entity serving the territory proposed for annexation.

22. FEDERAL VOTING RIGHTS ACT INFORMATION. Information relevant to the federal Voting Rights Act, which is applicable to any annexation, is provided in **Exhibit G**. This information includes the following:

1. Purpose and effect of annexation as it pertains to voting.
2. Extent to which the annexation excludes minorities while including other similarly situated persons.
3. Extent to which annexation reduces the City's minority population percentage.
4. Whether the electoral system of the City fails fairly to reflect minority voting strength.
5. Participation by minorities in the development of the annexation proposal.
6. Designation of Alaska Native for U.S. Department of Justice contact.
7. Statement concerning the minorities' understanding of English in written and spoken forms.

23. BRIEF. A written statement fully explaining how the proposed annexation satisfies the standards set out in 19 AAC 10.090 - 19 AAC 10.140; and 19 AAC 10.900 - 19 AAC 10.910 is included in **Exhibit H**. The brief demonstrates that:

1. There is a reasonable need for city government in the territory. [19 AAC 10.090]
2. The character of the territory is compatible with the annexing city. [19 AAC 10.100]
3. The proposed new boundaries of the city include the human and financial resources necessary to provide essential city services on an efficient, cost-effective level. [19 AAC 10.110]
4. The proposed new boundaries include a sufficiently large and stable population to support the extension of city government. [19 AAC 10.120]
5. The proposed new boundaries include all land and water necessary to provide the full development of essential city services on an efficient, cost-effective level. [19 AAC 10.130].

6. The annexation will serve the balanced best interests of the State, the territory to be annexed, and all political subdivisions affected by the annexation. [19 AAC 10.140].
7. The annexation will not deny any person the enjoyment of any civil or political right because of race, color, creed, sex or national origin. [19 AAC 10.910].

24. OTHER INFORMATION. Exhibit I consists of other information that may be helpful in considering this petition. These materials include:

- 1997 Gross Borough Sales (I-1).
- Map and Photographs of Development Within the Territory Proposed for Annexation (I-2).
- Analysis of Shoreline Fire District Firefighting Capabilities of Mile 4 North Development (I-3).
- Ketchikan Daily News Accounts of Wal-Mart's Interest in Ketchikan (I-4).
- Relevant Portions of Borough Planning Commission and Assembly Reports and Meeting Minutes regarding the Proposed Development at Mile 4 North (I-5).
- North Ketchikan Center Development Proposal (I-6).
- Wal-Mart Retail Transportation Analysis, Ketchikan, Alaska (I-7).
- Retail Trade Analysis for Kodiak Island (I-8).
- Photographs of Regional Service Facilities Owned and Operated by the City of Ketchikan (I-9).
- Borough Planning Department Annexation Population Projection (I-10).
- 1997 Gross Sales Within Territory to be Annexed (I-11).
- City of Ketchikan Proposal to Shoreline Service District for Fire Suppression Services (I-12).
- Statements from the Ketchikan Gateway Borough and City of Saxman Expressing Their Positions Regarding the Annexation Proposal (I-13).
- Letters to Prominent Minority Groups Notifying Them of the Proposed Annexation (I-14).
- Letter from Borough Manager Requesting Engineering Division Review of Mile 4 North Final Plat Application (I-15).
- Annexation (I-14).
- The City's Current Operating Budget and 1997 Comprehensive Annual Financial Report (I-16).

25. AUTHORIZATION. A certified copy of the resolution adopted by the City Council to authorize the filing of this petition is provided as **Exhibit J**.

26. PETITION INFORMATION & ACCURACY. An affidavit of the petitioner's representative affirming that the information in the petition is true and accurate is provided in **Exhibit K**.

DATED this _____ day of _____, 199__.

By: _____
Petitioner's Representative

EXHIBIT A
LEGAL DESCRIPTION OF
TERRITORY PROPOSED FOR ANNEXATION

An area located within the Ketchikan Gateway Borough, First Judicial District, State of Alaska, more particularly described as follows:

Beginning at Corner 6 of U.S.S. 1587, this point also being the north corner of U.S.S. 1083;

thence S 29° 20' 00" W a distance of 1502.90 feet along the westerly boundary of the corporate limits of the City of Ketchikan to a point in the Tongass Narrows;

thence N 40° 05' 33" W a distance of 5170.26 feet to a point in the Tongass Narrows;

thence N 36° 59' 53" E a distance of 1000.00 feet to Corner MC-1 of A.T.S. 1145;

thence northerly along the common lot line of Lot 3 and Lot 4 U.S.S. 1269 to its point of intersection with the Shoreline Drive right-of-way boundary;

thence S 80° 9' 29" E a distance of 199.80 feet along the Shoreline Drive right-of-way boundary to the northeast corner of Lot 3, U.S.S. 1269;

thence N 47° 44' 08" W a distance of 111.40 feet to the east corner of Lot 1B, U.S.S. 1831, this point also being on the westerly right-of-way boundary of the North Tongass Highway;

thence along a curve, concave to the southwest, radius of 5679.88 feet, arc distance of 97.50 feet along the right-of-way boundary of the North Tongass Highway;

thence N 56° 52' 18" E a distance of 25.00 feet along the right-of-way boundary of the North Tongass Highway to the beginning of a curve;

thence along a curve, concave to the southwest, radius of 5679.58 feet, arc distance of 858.68 feet along the right-of-way of the North Tongass Highway;

thence N 39° 33' 17" W a distance of 243.71 feet along the right-of-way boundary of the North Tongass Highway to the north corner of Lot 1, Block 3, U.S.S. 1832;

thence N 36° 50' 13" E a distance of 103.32 feet across the North Tongass Highway to the west corner of Lot 18, Block 2, U.S.S. 1832;

thence N 50° 26' 43" E a distance of 200.96 feet to the north corner of Lot 31, Block 2, U.S.S. 1832;

thence S 39° 31' 00" E a distance of 277.92 feet along the southwest boundary of Ridgewood Street to the common boundary of U.S.S. 1832 and U.S.S. 1831;

thence N 0° 04' 05" W a distance of 889.70 feet to Corner 2 of U.S.S. 1831, this point also being the southeast corner of Lot 2A, Block 3, Tract 3001, U.S.S. 2270;

thence N 0° 04' 05" W a distance of 187.68 feet along the east boundary of said Lot 2A to its intersection with Misty Marie Lane;

thence S 53° 32' 00" E a distance of 62.23 feet along the Misty Marie right-of-way boundary;

thence S 0° 04' 05" E a distance of 39.29 feet along the north right-of-way boundary of King Road to the beginning of a curve;

thence along a curve concave to the northeast, radius of 35.00 feet, arc distance of 54.91 feet along the right-of-way boundary of Rex Allen Drive;

thence East a distance of 127.41 feet along said right-of-way boundary;

thence North a distance of 23.65 feet along said right-of-way boundary;

thence East a distance of 210.90 feet along said right-of-way boundary to the northwest corner of the Seking Subdivision, a portion of Tract A of U.S.S 1831 and U.S.S. 2270;

thence East a distance of 941.61 feet along the north boundary of the Seking Subdivision to a point on the east boundary of U.S.S. 2270;

thence South a distance of 1168.50 feet along the east boundary of U.S.S. 2270 to Corner 6 of said survey;

thence S 89° 56' 00" E a distance of 1202.52 feet along the north boundary of U.S.S. 1833 to Corner 4 of said survey;

thence South a distance of 2283.60 feet along the east boundary of U.S.S. 1833 to Corner 5 of U.S.S. 1833, also being Corner 2 of U.S.M.S. 1413;

thence S 46° 59' 00" E a distance of 549.78 feet along the northeast boundary of U.S.M.S. 1413 to Corner 3 of said survey;

thence S 59° 58' 00" W a distance of 298.32 feet along the southeast boundary of U.S.M.S. 1413 to Corner 2 of U.S.S. 2796;

thence South a distance of 388.41 feet along the east boundary of U.S.S. 2796 to Corner 3 of said survey;

thence N 89° 49' 00" W a distance of 190.27 feet along the south boundary of U.S.S. 2796 to Corner 3 of U.S.S. 1404;

thence South a distance of 489.43 feet along the east boundary of U.S.S. 1404 to its point of intersection with the North Tongass Highway right-of-way;

thence S 38° 40' 00" E a distance of 42.65 feet along the right-of-way to its point of intersection with the north boundary of U.S.S. 1587;

thence S 89° 59' 30" E a distance of 1535.09 feet along the north boundary of U.S.S. 1587 to the corner of Block 1, Tract 1001, U.S.S. 1587;

thence S 29° 20' 00" W a distance of 703.39 feet along the east boundary of Block 1, Tract 1001 to its point of intersection with the northeast boundary of U.S.S. 1083;

thence N 60° 41' 00" W a distance of 100 feet along the boundary of U.S.S. 1083 to the point of beginning, containing 311.42 acres, more or less.

EXHIBIT B
LEGAL DESCRIPTION OF
PROPOSED POST-ANNEXATION BOUNDARIES
(use additional pages, if necessary)

The corporate limits of the City of Ketchikan, Alaska, a parcel of real property located in Ketchikan Gateway Borough, First Judicial District, Alaska, more particularly bound and described as follows:

Commencing at the northeast corner of the Homer Lode, U. S. Mineral Survey 769, this also being the west corner of U.S.S. 1261;

thence N 29° 36' E a distance of 404.58 feet along the northwest boundary of U.S.S. 1261 of the north corner of U.S.S. 1261;

thence S 59° 34' E a distance of 255.40 feet along the northeast boundary of U.S.S. 1261 to the south corner of Tract A U.S.S. 2635;

thence N 23° 00' E a distance of 140.89 feet along the east boundary of Tract A to its intersection with the north boundary of U.S.S. 2635;

thence a bearing of East a distance of 1773.30 feet along the north boundary of U.S.S. 2635 to Corner 3 of U.S.S. 2635;

thence a bearing of South a distance of 147.18 feet to Corner 4 of U.S.S. 2635;

thence a bearing of East a distance of 460.35 feet to Corner 5 of U.S.S. 2635;

thence a bearing of South a distance of 1623.60 feet along the east boundary of U.S.S. 2635 to Corner 6 of U.S.S. 2635 this being the true point of beginning;

thence S 26° 23' 03" E a distance of 1632.09 feet;

thence S 51° 57' W a distance of 816.38 feet to a point on the northeast boundary of U.S.S. 1667;

thence S 43° 58' E a distance of 1702.52 feet along the northeast boundary of U.S.S. 1667;

thence S 46° 06' W a distance of 1986.44 feet along the northwest boundary of U.S.S. 1584 and A.T.S. 118 to a point in Tongass Narrows;

thence N 48° 28' W a distance of 1927.73 feet to a point in Tongass Narrows;

thence N 54° 53' 54" W a distance of 8487.96 feet to a point in Tongass Narrows;

thence N 65° 35' 45" W a distance of 2633.28 feet to a point in Tongass Narrows;

thence N 67° 10' 56" W a distance of 3111.05 feet to a point in Tongass Narrows;

thence N 49° 25' 17" W a distance of 4796.14 feet to a point in Tongass Narrows;

thence N 40° 05' 33" W a distance of 5170.26 feet to a point in Tongass Narrows;

thence N 36° 59' 53" E a distance of 1000.00 feet to Corner MC-1 of A.T.S. 1145;

thence northerly along the common lot line of Lot 3 and Lot 4 U.S.S. 1269 to its point of intersection with the Shoreline Drive right-of-way boundary;

thence S 80° 09' 29" E a distance of 199.80 feet along the Shoreline Drive right-of-way boundary to the northeast corner of Lot 3, U.S.S. 1269;

thence N 47° 44' 08" W a distance of 111.40 feet to the east corner of Lot 1B, U.S.S. 1381, this point also being on the westerly right-of-way boundary of the North Tongass Highway;

thence along a curve, concave to the southwest, radius of 5679.88 feet, arc distance of 97.50 feet along the right of way boundary of the North Tongass Highway;

thence N 56° 52' 18" E a distance of 25.00 feet along the right-of-way boundary of the North Tongass Highway to the beginning of a curve;

thence along a curve, concave to the southwest, radius of 5679.58 feet, arc distance of 858.68 feet along the right-of-way boundary of the North Tongass Highway;

thence N 39° 33' 17" W a distance of 243.71 feet along the right-of-way boundary of the North Tongass Highway to the north corner of Lot 1, Block 3, U.S.S. 1832;

thence N 36° 50' 13" E a distance of 103.32 feet across the North Tongass Highway to the west corner of Lot 18, Block 2, U.S.S. 1832;

thence N 50° 26' 43" E a distance of 200.96 feet to the north corner of Lot 31, Block 2, U.S.S. 1832;

thence S 39° 31' 00" E a distance of 277.92 feet along the southwest boundary of Ridgewood Street to the common boundary of U.S.S. 1832 and U.S.S. 1831;

thence N 0° 04' 05" W a distance of 889.70 feet to Corner 2 of U.S.S. 1831, this point also being the southeast corner of Lot 2A, Block 3, Tract 3001, U.S.S. 2270;

thence N 0° 04' 05" W a distance of 187.68 feet along the east boundary of said Lot 2A to its intersection with Misty Marie Lane;

thence S 53° 32' 00" E a distance of 62.23 feet along the Misty Marie right-of-way boundary;

thence S 0° 04' 05" E a distance of 39.29 feet along the north right-of-way boundary of King Road to the beginning of a curve;

thence along a curve concave to the northeast, radius of 35.00 feet, arc distance of 54.91 feet along the right-of-way boundary of Rex Allen Drive;

thence East a distance of 127.41 feet along said right-of-way boundary;

thence North a distance of 23.65 feet along said right-of-way boundary;

thence East a distance of 210.90 feet along said right-of-way boundary to the northwest corner of the Seking

Subdivision, a portion of Tract A of U.S.S. 1831 and U.S.S. 2270;

thence East a distance of 941.61 feet along the north boundary of the Seking Subdivision to a point on the east boundary of U.S.S. 2270;

thence South a distance of 1168.50 feet along the east boundary of U.S.S. 2270 to Corner 6 of said survey;

thence S 89° 56' 00" E a distance of 1202.52 feet along the north boundary of U.S.S. 1833 to Corner 4 of said survey;

thence South a distance of 2283.60 feet along the east boundary of U.S.S. 1833 to Corner 5 of U.S.S. 1833, also being Corner 2 of U.S.M.S. 1413;

thence S 46° 59' 00" E a distance of 549.78 feet along the northeast boundary of U.S.M.S. 1413 to Corner 3 of said survey;

thence S 59° 58' 00" W a distance of 298.32 feet along the southeast boundary of U.S.M.S. 1413 to Corner 2 of U.S.S. 2796;

thence South a distance of 388.41 feet along the east boundary of U.S.S. 2796 to Corner 3 of said survey;

thence N 89°49' 00" W a distance of 190.27 feet along the south boundary of U.S.S. 2796 to Corner 3 of U.S.S. 1404;

thence South a distance of 489.43 feet along the east boundary of U.S.S. 1404 to its point of intersection with the North Tongass Highway right-of-way;

thence S 38° 40' 00" E a distance of 42.65 feet along the right of way to its point of intersection with the north boundary of U.S.S. 1587;

thence S 89° 59' 30" E a distance of 1535.09 feet along the north boundary of U.S.S. 1587 to the corner of Block 1, Tract 1001, U.S.S. 1587;

thence S 89° 59' 30" E a distance of 176.42 feet along the north boundary of U.S.S. 1587;

thence N 89° 59' 45" E a distance of 1478.11 feet along the north boundary of U.S.S. 1587;

thence a bearing of East a distance of 4601.93 feet along the north boundary of U.S.S. 1587, U.S.S. 1781, and U.S.S. 1229 to Corner 2 of U.S.S. 1229;

thence a bearing of South a distance of 3180.91 feet along the east boundary of U.S.S. 1229 to Corner 3 of U.S.S. 1378;

thence S 59° 38' E a distance of 4953.69 feet along the northeast boundary of U.S.S. 1378 and the northeast boundary of the Kentucky Lode Claim, U.S.M.S. 769 to a point on the Schoenbar Road right-of-way boundary;

thence N 37° 52' E a distance of 14.20 feet along the Schoenbar Road right-of-way boundary;

thence N 59° 26' E a distance of 163.16 feet along the Schoenbar Road right-of-way boundary;

thence N 58° 35' E a distance of 108.98 feet along the Schoenbar Road right-of-way boundary to the south corner of Lot 28, Block 4, U.S.M.S. 769, Bear Valley Addition;

thence N 31° 25' W a distance of 124.93 feet to a point on the westerly boundary of Lot 27, Block 4, U.S.M.S. 769, Bear Valley Addition;

thence N 3° 30' E a distance of 999.50 feet to a point on the westerly boundary of Lot 15, Block 4, U.S.M.S. 769, Bear Valley Addition;

thence N 39° 25' E a distance of 170 feet to a point on the northwest boundary of Lot 13, Block 4, U.S.M.S. 769, Bear Valley Addition;

thence N 70° 51' 48" E a distance of 343.48 feet to a point on the north boundary of Lot 9, Block 4, U.S.M.S. 769, Bear Valley Addition;

thence S 73° 40' E a distance of 550 feet to the northeast corner of Lot 3, Block 4, U.S.M.S. 769, Bear Valley Addition;

thence N 16° 20' E a distance of 20 feet to the north corner of Lot 2, Block 4, U.S.M.S. 769, Bear Valley Addition, this point

being on the northeast boundary of Utica Lode Claim, U.S.M.S. 769;

thence northwesterly along the northeast boundary of the Utica Lode Claim to the northwest corner of said claim as shown of the plat of the Claim of James A. Davis, Mineral Survey 769, recorded May 7, 1904, Juneau Land District;

thence southwesterly to the northeast corner of the Columbia Lode Claim;

thence northwesterly to the northwest corner of the Columbia Lode Claim, this point being in common with the western boundary of U.S.M.S. 769;

thence northeasterly along said boundary to the northwest corner of U.S.M.S. 769, this point being in common with the northwest corner of the Cosmos Lode Claim;

thence southeasterly along the north boundary of U.S.M.S. 769 to its point of intersection with the western boundary of the east 1/2 of the northwest 1/4 of protracted Section 19, T75S, R91E, Copper River Meridian (C.R.M.);

thence north to the northwest corner of the east 1/2 of the northwest 1/4 of protracted Section 19, T75S, R91E, C.R.M.;

thence east to the northeast corner of the west 1/2 of the northeast 1/4 of protracted Section 19, T75S, R91E, C.R.M.;

thence south to the northern boundary line of U.S.M.S. 769;

thence southeasterly along said boundary line to its intersection with the north boundary of the northeast 1/4 of the southeast 1/4 of protracted Section 19, T75S, R91E, C.R.M.;

thence east to the northeast corner of the southwest 1/4 of protracted Section 20, T75S, R91E, C.R.M.;

thence south to the northerly boundary of U.S.M.S. 769;

thence southeasterly along said boundary to the northeast corner of U.S.M.S. 769, this corner being in common with the northeast corner of the Sterling Lode Claim;

thence southwesterly along the eastern boundary of U.S.M.S.

769 to its point of intersection with the east boundary of U.S.S. 2635;

thence a bearing of south to the true point of beginning, containing approximately 2747 acres or 4.3 square miles, more or less.

thence east to the northeast corner of the west 1/2 of the northeast 1/4 of protracted Section 19, T75S, R91E, C.R.M.;

thence south to the northern boundary line of U.S.M.S. 769;

thence southeasterly along said boundary line to its intersection with the north boundary of the northeast 1/4 of the southeast 1/4 of protracted Section 19, T75S, R91E, C.R.M.;

thence east to the northeast corner of the southwest 1/4 of protracted Section 20, T75S, R91E, C.R.M.;

thence south to the northerly boundary of U.S.M.S. 769;

thence southeasterly along said boundary to the northeast corner of U.S.M.S. 769, this corner being in common with the northeast corner of the Sterling Lode Claim;

thence southwesterly along the eastern boundary of U.S.M.S. 769 to its point of intersection with the east boundary of U.S.S. 2635;

thence a bearing of south to the true point of beginning, containing approximately 2747 acres or 4.3 square miles, more or less.

EXHIBIT C
MAP OF EXISTING AND PROPOSED BOUNDARIES; PLATS & OTHER
DOCUMENTS DEMONSTRATING ACCURACY OF LEGAL
DESCRIPTION

A map showing the current boundaries of the City and the territory proposed for annexation, and plats (see Supplement to Exhibit C) and other documents necessary to demonstrate the accuracy of the written legal description of the territory proposed for annexation is presented in this Exhibit.

EXHIBIT D

INFORMATION RELATING TO PUBLIC NOTICE

MEDIA

The following is a list of the principal media serving the area within the current and proposed boundaries of the City:

NEWSPAPER(S)

Name:	Ketchikan Daily News	The Local Paper
Address:	P.O. Box 7900 Ketchikan, Alaska 99901	516 Stedman Street Ketchikan, Alaska 99901
Telephone #:	(907) 225-3157	(907) 225-6540
Fax #:	(907) 225-1096	(907) 225-6435

PUBLIC RADIO STATION(S)

Name:	KFMJ FM Radio	KGTW FM/KTKN AM Radio
Address:	516 Stedman Street Ketchikan, Alaska 99901	526 Stedman Street Ketchikan, Alaska 99901
Telephone #:	(907) 247-3699	(907) 225-2193
Fax #:	(907) 247-5365	(907) 225-0444

LOCAL TELEVISION SCANNER

Name:	Alaskan Cable Network
Address:	2030 Sea Level Drive Ketchikan, Alaska 99901
Telephone #:	(907) 225-2191
Fax #:	(907) 225-4943

OTHER(S)

Name:	KRBD FM Radio/Rainbird Broadcasting Company	The Ketchikan Channel
Address:	123 Stedman Street Ketchikan, Alaska 99901	P.O. Box 7900 Ketchikan, Alaska 99901
Telephone #:	(907) 225-9655	(907) 225-3157
Fax #:	(907) 247-0808	(907) 225-1096

PLACES DESIGNATED FOR POSTING OF NOTICES

The following three or more public and prominent places within the territory proposed for annexation are designated for posting of notices concerning this annexation proposal.

National Bank of Alaska 4966 N. Tongass Highway P.O. Box 8316 Ketchikan, Alaska 99901 247-7878 (907) 225-9022	Karlson Motors Mile 4 N. Tongass Highway P.O. Box 6420 Ketchikan, Alaska 99901 (907)
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Narrows Inn 4871 N. Tongass Highway P.O. Box 8296 Ketchikan, Alaska 99901 (907) 247-2600	Shoreline Volunteer Fire Department* Peninsula Point 5401 North Tongass Ketchikan, Alaska 99901 (907) 225-3711
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*Although not physically located in the territory proposed for annexation, the Shoreline Fire Department serves as a central location for residents of the subject petition.

The following three or more public and prominent places within the current boundaries of the City are designated for posting of notices concerning this annexation proposal.

Office of the City Clerk City of Ketchikan 334 Front Street Ketchikan, Alaska 99901 (907) 228-5658	Ketchikan Public Library City of Ketchikan 629 Dock Street Ketchikan, Alaska 99901 (907) 225-3331
City Hall 2nd Floor Bulletin Board Attn: City Clerk City of Ketchikan 334 Front Street Ketchikan, Alaska 99901 (907) 228-5658	City Police Department 361 Main Street Ketchikan, Alaska 99901 (907) 225-6631

MUNICIPALITIES ADJACENT TO THE CITY

The following is a list of cities and boroughs whose boundaries extend within 20 miles of the current or proposed boundaries of the City:

City of Saxman
Ketchikan Gateway Borough

PLACE AND TIME WHERE PETITION WILL BE AVAILABLE FOR PUBLIC REVIEW

The petition for annexation will be made available for public review at the location noted below. This location is normally open to the public during the days of the week and times listed below:

LOCATION: Office of the City Clerk
City of Ketchikan
334 Front Street - Fourth Floor
Ketchikan, Alaska 99901

DAYS/TIMES NORMALLY OPEN: 8:00 a.m. to 12:00 p.m. and 1:00 p.m.
to 5:00 p.m., Monday through Friday.

LOCATION: Ketchikan Public Library
City of Ketchikan
629 Dock Street
Ketchikan, Alaska 99901

DAYS/TIMES NORMALLY OPEN: 10:00 a.m. to 8:00 p.m., Monday
through Wednesday; 10:00 a.m. to
6:00 p.m., Thursday through Saturday;
1:00 p.m. to 5:00 p.m., Sunday.

**PARTIES THAT THE PETITIONER BELIEVES SHOULD BE
PROVIDED INDIVIDUAL NOTICE OF THE FILING OF THE
ANNEXATION PETITION.**

The following is a list of names and addresses of parties whose potential interest is the annexation proceedings may warrant individual notice:

Ketchikan Gateway Borough
Attention: Borough Manager
344 Front Street
Ketchikan, Alaska 99901

Alaska Department of Transportation and
Public Facilities
Attn: Commissioner Joseph L. Perkins
3132 Channel Drive
Juneau, Alaska 99801

City of Saxman
Attn: Acting City Administrator
Route 2 Box 1-Saxman
Ketchikan, Alaska 99901

Ketchikan Chamber of Commerce
Attn: Executive Director
P.O. Box 5957
Ketchikan, Alaska 99901

Shoreline Service District
344 Front Street
Ketchikan, Alaska 99901

James W. and Linnie M. Bride
3204 Pacific Avenue
Everett, Washington 98201

The Narrows Inn LLC
4871 N. Tongass Hwy
Ketchikan, Alaska 99901

Del L. Hansen
4845 N. Tongass Hwy
Ketchikan, Alaska 99901

Pool Engineering, Inc.
P.O. Box 6000
Ketchikan, Alaska 99901

Carl H. and Penelope Tallman
P.O. Box 174
Poulsbo, Washington 98370

Church of Christ, Ketchikan
3149 Tongass Avenue
Ketchikan, Alaska 99901

Paul E. and Vicky L. Slenkamp
P.O. Box 1406
Ward Cove, Alaska 99928

Howard C. Jr. and Sharon H. Brand
P.O. Box 799
Ward Cove, Alaska 99901

Pase LLC
4973 Rex Allen Drive
Ketchikan, Alaska 99901

M. Hastings, J. Hughes and Zastrow
Estate of G. Davies
P.O. Box 5893
Ketchikan, Alaska 99901

Marshal and Edith Chanasyk
P.O. Box 8323
Ketchikan, Alaska 99901

Paul A. and Julie A. Jarvi
P.O. Box 5876
Ketchikan, Alaska 99901

David and Linda Deal
5428 Densley Drive North
Ketchikan, Alaska 99901

John A. and Linda Raitanen
4928 Shoreline Drive North
Ketchikan, Alaska 99901

David J. Benson
29104 Pipeline Road
Monroe, Washington 98272

Rosemary Crowder
5129 North Tongass Highway
Ketchikan, Alaska 99901

Jason A. and Andrea M. Wick
730 Hill Road
Ketchikan, Alaska 99901

Gary U. Shorts
P.O. Box 5978
Ketchikan, Alaska 99901

Leslie J. Bartholomew
P.O. Box 6795
Ketchikan, Alaska 99901

John D. Karlson
P.O. Box 6420
Ketchikan, Alaska 99901

Kenneth C. and Daniel W. Eichner
P.O. Box 557
Ward Cove, Alaska 99928

Satre Elerding Partnership
P.O. Box 8112
Ketchikan, Alaska 99901

Gerald G. and Sharon M. Wick
P.O. Box 8151
Ketchikan, Alaska 99901

Donald E. and Joyce Hazelquist
821 Jackson
Ketchikan, Alaska 99901

Jerry G. and Joan M. Martin
P.O. Box 636
Ward Cove, Alaska 99928

R & J Granvall Rentals
P.O. Box 851
Wilsonville, Oregon 97070

Ketchikan Ready Mix & Quarry, Inc.
P.O. Box 8100
Ketchikan, Alaska 99901

Kent and Norma Halvorsen
5057 North Tongass Highway
Ketchikan, Alaska 99901

William and Germaine Wilhelm
P.O. Box 982
Ward Cove, Alaska 99928

Richard and Susan Kapus
P.O. Box 8018
Ketchikan, Alaska 99901

Axel Svenson
1116 Water Street
Ketchikan, Alaska 99901

Steve D. Seley, Jr.
P.O. Box 5380
Ketchikan, Alaska 99901

Gary R. Croy
P.O. Box 7164
Ketchikan, Alaska 99901

Fredrick V. Rhodes
P.O. Box 23235
Ketchikan, Alaska 99901

Richard C. and Virginia Adams
P.O. Box 6776
Ketchikan, Alaska 99901

Yandukin Development LLC
2 Marine Way, Suite 204
Juneau, Alaska 99801

Mary Henrickson
P.O. Box 998
Ward Cove, Alaska 99928

Kenneth C. and Vera M. Eichner, and
Donald and Lucille King
P.O. Box 557
Ward Cove, Alaska 99928

Coates & Carson & Fleenor
P.O. Box 9452
Ketchikan, Alaska 99901

Russell E. and Doris C. Fox
P.O. Box 6264
Ketchikan, Alaska 99901

National Bank of Alaska
Attn: Controller's Dept.
P.O. Box 100600
Anchorage, Alaska 99510

Albert Halvorsen Boyer Towing
P.O. Box 8000
Ketchikan, Alaska 99901

Petrolane S.E. Alaska Gas Service
Loc #5362
P.O. Box 798
Valley Forge, PA 19482

Harley E. Lewis, Jr.
4950 North Tongass Highway
Ketchikan, Alaska 99901

Delbert Richardson
4834 North Tongass
Ketchikan, Alaska 99901

Jess and Janette Edwards
P.O. Box 5911
Ketchikan, Alaska 99901

Dwight and Janet John
P.O. Box 7962
Ketchikan, Alaska 99901

D.L. & L.S. Coates, C.L. & C. Carson, and
F.M. & K.R. Fleenor
P.O. Box 9452
Ketchikan, Alaska 99901

Lester R. and Sharon B. Strunk
P.O. Box 5113
Ketchikan, Alaska 99901

Robert & Vivian Race
c/b Dwight McBride
#215 Plaza Port West
Ketchikan, Alaska 99901

Fred Fricke
P.O. Box 6536
Ketchikan, Alaska 99901

Wayne Laemmle
P.O. Box 6361
Ketchikan, Alaska 99901

First Bank
P.O. Box 7920
Ketchikan, Alaska 99901

T.J. Rentals
P.O. Box 8112
Ketchikan, Alaska 99901

AMM Rentals
P.O. Box 6352
Ketchikan, Alaska 99901

David Doyon
1285 Tongass Avenue
Ketchikan, Alaska 99901

Seaborne Marine Services
P.O. Box 5183
Ketchikan, Alaska 99901

Henry A. and Glenna D. Dyson
5515 390th St. Ct. E.
Eatonville, Washington 98328

Paul Enright
11852 N. Tongass Highway
Ketchikan, Alaska 99901

GCI Cable, Inc.
2550 Denali St., Suite 1000
Anchorage, Alaska 99503

Kenneth & Vera Eichner and
Daniel & Karen Eichner
P.O. Box 557
Ward Cove, Alaska 99928

State of Alaska
Department of Transportation
P.O. Box 1467
Juneau, Alaska 99811

Eric F. Bjella
P.O. Box 1736
Ward Cove, Alaska 99928

Tyler Rental, Inc.
P.O. Box 8158
Ketchikan, Alaska 99901

Lawrence & Marcia Hilley and
Robert & Margaret
P.O. Box 7483
Ketchikan, Alaska 99901

Ronald M. and Donna M. Brew
P.O. Box 5564
Ketchikan, Alaska 99901

John Rice and Pete Tully
P.O. Box 696
Ward Cove, Alaska 99928

Francis C. Murphy, Jr.
P.O. Box 1158
Ward Cove, Alaska 99928

Carol A. Murray
P.O. Box 6151
Ketchikan, Alaska 99901

TEMSCO Helicopters, Inc.
P.O. Box 5057
Ketchikan, Alaska 99901

Albert Halvorsen Trust
P.O. Box 8000
Ketchikan, Alaska 99901

State of Alaska, Department of Natural
Resources
400 Willoughby Avenue
Juneau, Alaska 99801

Randolph W. Steward
P.O. Box 7764
Ketchikan, Alaska 99901

Rudy J. and Marjorie A. Bukovich
P.O. Box 5391
Ketchikan, Alaska 99901

James Q. Deboer
P.O. Box 32451
Juneau, Alaska 99803

David A. and Melissa Klepser
P.O. Box 8946
Ketchikan, Alaska 99901

Shirley Spencer
P.O. Box 8223
Ketchikan, Alaska 99901

South Coast, Inc.
P.O. Box 8620
Ketchikan, Alaska 99901

Mary Ann Lindemann and Ronald Porter
630 Chatham
Ketchikan, Alaska 99901

Dwight and Mary Ann Lindemann
5581 N. Tongass Highway
Ketchikan, Alaska 99901

Scott D. and Bertha Thomas
945 Lincoln Street
Ketchikan, Alaska 99901

Jack A. and Patricia A. Odell
P.O. Box 7511
Ketchikan, Alaska 99901

Heidi E. Ekstrand
P.O. Box 6324
Ketchikan, Alaska 99901

Larry G. and Cheryl D. Elliott
5142 Shoreline Drive
Ketchikan, Alaska 99901

Alvin A. and Shirely White
P.O. Box 5454
Ketchikan, Alaska 99901

Don A. and Gladys Cuning
2728 Second Avenue
Ketchikan, Alaska 99901

Kenneth C. and Vera M. Eichner
5137 Shoreline Drive
Ketchikan, Alaska 99901

T.M. and Ramona J. Odell
P.O. Box 7523
Ketchikan, Alaska 99901

Robert and Olga Berg and C. Roundtree and
J. McKinley
c/o 220 Front Street, #200
Ketchikan, Alaska 99901

Warren J. Nystrom
274 S. Flower Street #3
Anchorage, Alaska 99508

Russell Lee and Jennifer Cockrum
4677 N. Tongass Highway
Ketchikan, Alaska 99901

SWS Investors
4693 N. Tongass Highway
Ketchikan, Alaska 99901

Michael M. and Paula Carlile
P.O. Box 638
Ward Cove, Alaska 99928

Short, Cressman & Berguss
999 Third Avenue
Seattle, Washington 98104

Wayne L. and Mary Ann Olsen
P.O. Box 9476
Ketchikan, Alaska 99901

Mary Jane Walton
3112 Mission Beach Lane
Marysville, Washington 98721

Russell H. Henry
P.O. Box 9408
Ketchikan, Alaska 99901

R. Wayne and Connie L. Spears
P.O. Box 9203
Skylmar, California 91392

James L. and Judith A. Race
5526 N. Tongass Highway
Ketchikan, Alaska 99901

Bernard and Rose Knutzen
5548 N. Tongass Highway
Ketchikan, Alaska 99901

James F. and Linda L. Church
P.O. Box 9300
Ketchikan, Alaska 99901

Steve H. and Laura J. Peterson
P.O. Box 7353
Ketchikan, Alaska 99901

James F. Church, Jr. and Carol Egner
P.O. Box 6842
Ketchikan, Alaska 99901

William J. and Debora Harney
5351 Shoreline Drive
Ketchikan, Alaska 99901

Lawrence C. and Evelyn Thompson
5331 B Shoreline Drive N.
Ketchikan, Alaska 99901

Lawrence & Marcia Hilley
P.O. Box 7483
Ketchikan, Alaska 99901

John L. and Mary C. Cannon
5508 N. Tongass Highway
Ketchikan, Alaska 99901

Gregory V. McCarthy and
Glendora Lichau-McCarthy
P.O. Box 5984
Ketchikan, Alaska 99901

Joseph M. Burns & Sharon Boatwright
P.O. Box 8416
Ketchikan, Alaska 99901

William and Jean Mackie
5518 N. Tongass
Ketchikan, Alaska 99901

Dorothy M. Kisiel
5542 N. Tongass Highway
Ketchikan, Alaska 99901

Gordon and Henrietta Kalk
5528 North Tongass
Ketchikan, Alaska 99901

DuRette Construction Co., Inc.
P.O. Box 1480
Ward Cove, Alaska 99928

Wards Cove Packing Company
P.O. Box C-5030
Seattle, Washington 98105

Jerry E. and Carol Collins
5339 B Shoreline Drive
Ketchikan, Alaska 99901

Deann Karlson
5311 Shoreline Drive
Ketchikan, Alaska 99901

Andrew I. and Hazel J. Thompson
P.O. Box 8714
Ketchikan, Alaska 99901

Robert D. and Diane M. Thomas
5275 Shoreline Drive
Ketchikan, Alaska 99901

Robert and Vivian Race
#215 Plaza Port West
Ketchikan, Alaska 99901

Glenn L. and Barbara M. Lervick
5247 Shoreline Drive N.
Ketchikan, Alaska 99901

Jeanne E. Sande
5237 Shoreline Drive N.
Ketchikan, Alaska 99901

Teresa Lee Lervick
5227 Shoreline Drive
Ketchikan, Alaska 99901

David L. and Flora P. Gray
P.O. Box 7513
Ketchikan, Alaska 99901

Richard Dale
5306 Shoreline Drive
Ketchikan, Alaska 99901

David M. Guzman
P.O. Box 8761
Ketchikan, Alaska 99901

Ronald and Martha Race
2300 Tongass
Ketchikan, Alaska 99901

Charles and Janice Pool
P.O. Box 5236
Ketchikan, Alaska 99901

Borghild S. Hancock
5348 N. Tongass Highway
Ketchikan, Alaska 99901

Steven K. Shrum
5338 N. Tongass Highway
Ketchikan, Alaska 99901

Christa J. Bruce
5324 N. Tongass Highway
Ketchikan, Alaska 99901

Irene D. Bienek
P.O. Box 8574
Ketchikan, Alaska 99901

Bernice C. Braun
P.O. Box 7716
Ketchikan, Alaska 99901

John Dutch and M. Vredeveld
P.O. Box 5641
Ketchikan, Alaska 99901

Christopher B. Lervick
5286 N. Tongass Highway
Ketchikan, Alaska 99901

Spruce Shadows, Inc.
111 Stedman Street, Suite 101
Ketchikan, Alaska 99901

Michael B. & Susan A. Peters
5067 N. Tongass Highway
Ketchikan, Alaska 99901

John T. Flora
P.O. Box 7671
Ketchikan, Alaska 99901

William & Karen Bjur
4716 Bucey Avenue
Ketchikan, Alaska 99901

Raymond & Betty Brand
P.O. Box 7995
Ketchikan, Alaska 99901

Bruce and Licha King
2600 Tongass Avenue
Ketchikan, Alaska 99901

Peggy Ritter
P.O. Box 5277
Ketchikan, Alaska 99901

Kenneth & Rebecca Mix
P.O. Box 7744
Ketchikan, Alaska 99901

Vicki & William Hasty
P.O. Box 741
Ward Cove, Alaska 99928

Mary Hastings
P.O. Box 5893
Ketchikan, Alaska 99901

Paul & Wanda Axelson
P.O. Box 5624
Ketchikan, Alaska 99901

Albert & Gay Brown
P.O. Box 6901
Ketchikan, Alaska 99901

Gerald & Mary Castle Living Trust
5224 Shoreline Drive NTG
Ketchikan, Alaska 99901

John Cooper
5202 Shoreline Drive
Ketchikan, Alaska 99901

Kenneth & Lynora Eichner
5166 Shoreline Drive
Ketchikan, Alaska 99901

Edwin & Janice Elliott
5184 Shoreline Drive
Ketchikan, Alaska 99901

S&S Aircraft Leasing
3712 Baranof Avenue
Ketchikan, Alaska 99901

George Mortensen
P.O. Box 1532
Ward Cove, Alaska 99928

Gary & Sandra Herbst
c/o P.O. Box 23003
Ketchikan, Alaska 99901

Robert & Traci Grace
P.O. Box 5386
Ketchikan, Alaska 99901

Steven Krontz
P.O. Box 5621
Ketchikan, Alaska 99901

Ursus & Elsa Pahang
P.O. Box 23082
Ketchikan, Alaska 99901

Michael & Cheryl Painter
4746 Bucey Avenue
Ketchikan, Alaska 99901

Josephus & Hendrica Govaars
5210 Shoreline Drive
Ketchikan, Alaska 99901

Greg & Karen Updike
5160 Shoreline Drive
Ketchikan, Alaska 99901

Gayle Nixon
5178 Shoreline Drive
Ketchikan, Alaska 99901

Bertha Hussman
P.O. Box 5991
Ketchikan, Alaska 99901

Earling Allain & Sheryl Elliott
5161 Shoreline Drive
Ketchikan, Alaska 99901

Charles & Sherrel Stewart
3725 S. Tongass Highway
Ketchikan, Alaska 99901

Daniel & Marybell Michalsen
P.O. Box 5658
Ketchikan, Alaska 99901

Seley Corporation
P.O. Box 5380
Ketchikan, Alaska 99901

Gale & Benita Jones
716-A Totem Way
Ketchikan, Alaska 99901

Darlene Morrison
P.O. Box 5614
Ketchikan, Alaska 99901

Wayne & Patsy Faulkner
4616 N. Tongass Hwy
Ketchikan, Alaska 99901

Chad & Charotte Hendren
P.O. Box 7963
Ketchikan, Alaska 99901

Alan Frank
3345 First St.
Ketchikan, Alaska 99901

Helen or Maria Lamarsh
P.O. Box 8111
Ketchikan, Alaska 99901

Tommy L. & Cheryl Jones
P.O. Box 8391
Ketchikan, Alaska 99901

Marvin & Ruth Hill
P.O. Box 7136
Ketchikan, Alaska 99901

Russell Mock
P.O. Box 8939
Ketchikan, Alaska 99901

Dale & Cynthia Pihlman
P.O. Box 7814
Ketchikan, Alaska 99901

State of Alaska, Department
of Transportation
6860 Glacier Highway
Juneau, Alaska 99801

William Smart, Sr.
P.O. Box 5674
Ketchikan, Alaska 99901

William & Diana Thomas
P.O. Box 5196
Ketchikan, Alaska 99901

Seley Family Limited Partnership
P.O. Box 5380
Ketchikan, Alaska 99901

Janette Powers
5072 N. Tongass Highway #3
Ketchikan, Alaska 99901

William Thompson, Jr.
P.O. Box 1322
Ward Cove, Alaska 99928

Irene Collins
5074 N. Tongass Highway
Ketchikan, Alaska 99901

Rebecca Breiner
P.O. Box 7491
Ketchikan, Alaska 99901

Michael Potter and Debra Lloyd
P.O. Box 754
Ward Cove, Alaska 99928

Tracy Stansell
P.O. Box 9401
Ketchikan, Alaska 99901

Robyn Cooper
P.O. Box 842
Ward Cove, Alaska 99928

Hazel Snapp
P.O. Box 8930
Ketchikan, Alaska 99901

Chris & Rhonda Johnson
P.O. Box 6474
Ketchikan, Alaska 99901

Guy Kalkins
P.O. Box 5012
Ketchikan, Alaska 99901

Rose Wrenn
P.O. Box 23661
Ketchikan, Alaska 99901

Carolyn Williams
P.O. Box 8811
Ketchikan, Alaska 99901

Maxine McGillis
P.O. Box 9125
Ketchikan, Alaska 99901

Don Dilleshaw
P.O. Box 5081
Ketchikan, Alaska 99901

Wayne & Connie Spears
15853 Olden Street
Sylmar, California 91342

Gary & Kim Benton
P.O. Box 7604
Ketchikan, Alaska 99901

Leslie & Mary Harris
5072 N. Tongass Highway #6
Ketchikan, Alaska 99901

Melvin & Sylvia Guthrie
c/o P.O. Box 8930
Ketchikan, Alaska 99901

Jackie Allenby
560 N.E. F St. #A-205
Grants Pass, Oregon 97526

Bryan T. Schulz
700 Water
Ketchikan, Alaska 99901

John Torell
P.O. Box 9548
Ketchikan, Alaska 99901

Everett Savage
P.O. Box 9293
Ketchikan, Alaska 99901

Paul & Brenda Jenne
P.O. Box 9433
Ketchikan, Alaska 99901

John McLane
P.O. Box 5933
Ketchikan, Alaska 99901

Pioneers of Alaska
Trustees of Auxiliary No. 7
P.O. Box 5026
Ketchikan, Alaska 99901

Paul & Joyce Beck
P.O. Box 318
Malott, Washington 98829

State of Alaska
P.O. Box 5057
Juneau, Alaska 99811

Sharon Wolfe
P.O. Box 9171
Ketchikan, Alaska 99901

Philip & Marie Myerchin
717 Canyon Road
Ketchikan, Alaska 99901

EXHIBIT E

BOROUGH SERVICE AREAS

Attached is a map showing the boundaries of each borough service areas included within the territory proposed for annexation.

EXHIBIT F

TRANSITION PLAN

This exhibit consists of a practical plan demonstrating:

1. The intent and capability of the City to extend essential city services (as defined by 19 AAC 10.990(a)(8)) into the territory proposed for annexation in the shortest practical time following annexation.

2. The manner in which the City will assume all relevant and appropriate powers, duties, rights, and functions presently exercised within the territory proposed for annexation.

3. The manner in which the City will assume and integrate all relevant and appropriate assets and liabilities of an existing borough or other entity serving the territory proposed for annexation.

I. Extension Of City Services

A. Effective Date. If approved by the Local Boundary Commission and the State Legislature, the annexation will take effect following preclearance under the Federal Voting Rights Act. Tacit approval by the Legislature and preclearance under the Federal Voting Rights Act are anticipated to be completed in March of 2000.

B. Taxation. Effective July 1, 2000 all real and personal property within the territory to be annexed will be subject to real and personal property taxes levied by the City. Effective July 1, 2000 all commercial activities conducted within the territory to be annexed will be subject to sales taxes levied by the City. Should there be a delay in the initiation of services described in Paragraph C below, the imposition of these taxes will be delayed until the date such services are provided.

C. Services To Be Provided. No later than July 1, 2000 the City will extend all services currently funded by City real and personal property, sales and transient occupancy taxes. Such services include the following:

- Police Protection
- Fire Protection
- Emergency Medical Services
- Emergency Dispatch Services
- Hospital Services
- Human Services (mental health and substance abuse)
- Streets and Storm Drains Maintenance
- Solid Waste Disposal
- Public Works Engineering (including building code enforcement)*

- Municipal Facility Maintenance
- Harbors
- Port of Ketchikan
- Library
- Museum
- Civic Center
- Cemetery
- Telephone
- Electricity

* Effective July 1, 2000 building code enforcement within the territory to be annexed will be provided on a prospective basis.

D. Capability of The City To Extend Services. Establishing that the City is capable of extending the municipal services listed above warrants consideration of the following factors:

1. The extent to which the services are already being provided by the City to the territory to be annexed;
2. Geographic features which might limit the City's ability to serve the territory to be annexed; and
3. The financial impacts that annexation might reasonably be expected to have on the City, including both operating and capital costs.

1. Services Currently Being Provided. The City currently provides the following services to the territory to be annexed:

- Hospital Services
- Emergency Medical Services
- Emergency Dispatch Services
- Human Services (mental health and substance abuse treatment)
- Harbors
- Port of Ketchikan
- Library
- Museum
- Civic Center
- Solid Waste Disposal
- Cemetery

The City d/b/a Ketchikan Public Utilities also provides electric and telephone services to the territory to be annexed.

2. Limiting Geographic Features. The territory proposed for annexation is adjacent to the City's northwest municipal limits. It is comprised of approximately 0.48 square miles (311.42 acres) and is accessible from the Tongass Highway and a number of secondary roads. There are no limiting geographic features that prevent the delivery of services to the territory in question.

3. Financial Impacts. It is anticipated that the property proposed for annexation will officially come under the jurisdiction of the City on or about July 1, 2000. The real and personal property taxable value of the territory at that time is estimated to be \$21,271,682. Revenues anticipated to be derived in the second six months of 2000 from property and sales taxes are projected to offset expenses for the remainder of the year.

As was discussed earlier in the Petition, estimated annual revenues exceed total expenses in the first full three years of annexation. The current tax levy of 6.4 mills is estimated to produce \$232,211 in property tax revenues by 2003. Upon annexation and complete buildout of the proposed development at Mile 4 North, it is estimated the City's current sales tax will generate collections of \$1,761,830 of which \$602,280 is estimated to be new revenue by that date. An additional \$50,445 is projected to be derived from other revenues, which brings total anticipated additional revenues to \$884,936 in the third full year following annexation (see Sections 13-15 of the Petition for an analysis of the revenues to be derived as a result of the annexation).

It is estimated that annexation of the territory will result in additional operating expenses of \$311,810 to the City by 2003. The City has no immediate plans for capital improvements beyond those costs anticipated to result from outfitting Fire Department vehicle apparatus with drafting equipment and water supply tanks, the purchase of a police patrol vehicle and road improvements previously specified (see Section 16 of the Petition for an analysis of the expenditures to be incurred as a result of annexation). Such capital costs are estimated at \$322,100 and should be completed within the second year following annexation. Additional capital improvements will be undertaken in accordance with the City's five year capital planning process based on demonstrated need and funding availability.

The projections detailed above clearly indicate that the City will have the financial capability to extend municipal services to the territory proposed for annexation. Based on these projections the increased operating revenues resulting from annexation of the territory will exceed the increased operating costs. This net increase in funding will be used in part to provide capital improvements to the territory to be annexed as they are identified, as well as to provide general government support of regional services and facilities that are provided to Borough residents on a community wide basis.

II. Assumption Of Services And Powers Presently Exercised Within The Territory Proposed For Annexation.

A. Services and powers are presently exercised within the territory proposed for annexation by the Ketchikan Gateway Borough, the Shoreline Service District, the City of Ketchikan,

Ketchikan Public Utilities and the State of Alaska through the Department of Transportation and Public Facilities and the State Troopers. If the subject Petition is approved by the Local Boundary Commission and the State Legislature, those powers and services exercised by the Ketchikan Gateway Borough on an areawide basis will continue following annexation as the territory will continue to be a part of the Second Class Borough. These areawide Borough services consist of the following:

- Tax collection
- Assessment
- Planning
- Zoning
- Economic Development
- Eminent Domain
- Emergency Disaster Powers
- Garbage and waste services, not presently offered areawide
- Education
- Parks and Recreation
- Airport and Ferry Access
- Transit System
- Voter Services
- Animal Control

Non-areawide services provided by the Ketchikan Gateway Borough that will be discontinued upon annexation include the following:

- Wastewater collection and treatment
- Library
- Emergency Services Communication Center
- Bonds and tax increment financing

The area proposed for annexation is located entirely within the Shoreline Service District as established by the Ketchikan Gateway Borough (see Exhibit E). The Shoreline Service District is authorized fire protection and water powers. The latter is currently not exercised. Upon annexation it is presumed the boundaries of the service district will be redrawn, in order to detach the territory incorporated into the City. Fire protection will be provided by the City, either through contract with the Shoreline Service District or through direct coverage by the Fire Department. If water treatment and distribution is provided to the territory proposed for annexation at a future date, it will be done so under the auspices of Ketchikan Public Utilities

Ketchikan Public Utilities will continue to provide electric and telephone services to the territory proposed for annexation.

Police powers are presently provided by the Alaska State Troopers in the territory proposed for annexation. No later than July 1, 2000 following approval of the subject Petition by the Local Boundary Commission and the State Legislature, police powers will be exercised by the

City of Ketchikan within the territory proposed for annexation. Three additional positions will be added to the City Police Department personnel roster, in order to provide for sufficient patrol response within the territory (see Section 16 of the Petition for an analysis of the expenditures to be incurred by the City in assuming these powers). While the State Troopers will continue to exercise law enforcement powers, the City will be the principle police agency within the territory to be annexed.

Fire suppression powers are presently exercised by the Shoreline Service District in the territory proposed for annexation. Emergency Medical Services and Dispatch are provided by the City. Following approval of the subject Petition by the Local Boundary Commission and the State Legislature, fire suppression powers will be exercised by the City of Ketchikan within the territory proposed for annexation. The City will provide fire suppression services either through an inter-municipal agreement with the Shoreline Service District, which is the City's preferred option, or by direct coverage by the City Fire Department.

The City has submitted a proposal to the Shoreline Service District, in order to have it serve as an automatic first response within the territory to be annexed (see Exhibit I-12). If such an agreement is successfully negotiated, the City Fire Department would act as an automatic second response and provide other assistance as may be required under mutual aid.

In exchange for these services the City has offered to compensate the Service District an amount equal to the revenues it currently derives from the assessed value of properties within the territory to be annexed. Additionally, the City has offered to compensate the Service District for supplementary manpower and equipment costs based on demonstrated need. Absent such an agreement between the City and the Shoreline Fire District, the City has the capability of outfitting its Fire Department vehicle apparatus with drafting equipment and water supply tanks, in order to provide first response to the territory to be annexed (see Section 16 of the Petition for an analysis of the expenditures to be incurred as a result of annexation). It is important to note that the Shoreline Fire Department does not have the capabilities of responding, within NFPA standards, to a major fire incident at the development proposed at Mile 4 North without mutual assistance provided by the City (see Exhibit I-3).

The Alaska Department of Transportation and Public Facilities maintains the North Tongass Highway within the territory and will continue to do so following approval of the proposed annexation. Secondary roads are not presently maintained by either the State or Borough. The City of Ketchikan will assume street and storm drain maintenance of an estimated 5,344 feet of secondary roads within the subject territory, as well as engineering and building inspection (see

Section 16 of the Petition for an analysis of the expenditures to be incurred as a result of annexation).

III. The Manner In Which The City Will Assume All Appropriate Assets And Liabilities Of An Existing Borough Or Other Entity Serving The Territory Proposed For Annexation.

To the best of the City's knowledge there are no relevant and appropriate assets and liabilities of an existing borough or other entity serving the territory proposed for annexation that will have to be assumed or integrated by the City. Representatives of the Ketchikan Gateway Borough have represented that, to the best of their knowledge, there are no relevant and appropriate assets and liabilities that will have to be assumed or integrated by the City.

IV. The proposed annexation has been discussed with officials of both the Ketchikan Gateway Borough and the City of Saxman, as well as with representatives of the Shoreline Service District. Resolutions of support for the proposed annexation were requested of both the Borough and Saxman (see Exhibit I-15). Discussions are ongoing with the Shoreline Service District, in order to determine whether an automatic first response agreement can be concluded. If annexation of the proposed territory is approved, the City will cooperate with the Ketchikan Gateway Borough to effect the detachment of the area from the Shoreline Service District.

EXHIBIT G

VOTING RIGHTS ACT REVIEW

This exhibit provides the following information.

1. Purpose and effect of annexation as it pertains to voting.

Based upon information provided by the Ketchikan Gateway Borough Planning Department (see Exhibit I-10), the annexation is expected to add approximately 100 residents to the City of Ketchikan. The City's present population is 8,460. According to the Alaska Division of Elections, the City has 6,983 registered voters. The Ketchikan Gateway Borough has a total of 11,282 registered voters out of a population of 13,828. The percentages of registered voters to the total populations of the City and the Borough are 82.5% and 81.6% respectively. Using these percentages, one would expect that the annexation will result in the increase of 82 voters registered to vote in the City. This would increase the number of registered voters in the City by 1.2%. The City believes that this increase will have no significant effect on the voting in City elections.

The City understands that the Alaska Division of Elections has not purged its registered voters lists to account for voters who have moved or died. For this reason, the actual number of registered voters affected by the annexation should be smaller than the 82 identified above. The City would expect that the actual number of registered voters within the City's present boundaries would also be proportionately smaller. For this reason, the Election Division's failure to purge its records should have no significant effect in determining the effects of annexation. The City has no other source which would more accurately show the number of registered voters in the City, Borough or the area to be annexed.

Since City residents also vote in Borough elections, the annexation will have no effect on the number of eligible voters in Borough elections. Elections for all Borough and City officers are at large. For this reason, annexation will have no effect on Borough Elections. If the area is annexed to the City and detached from the Shoreline Service Area and any other service areas, it will eliminate the right of voters in the area in question to vote on service area matters and the right to be appointed to service area boards. The City is not aware of any issue brought to the voters of the Shoreline Service Area in recent years. Similarly, if the area is annexed, annexation will eliminate the right of voters to vote on any non-area-wide Borough propositions. Annexation will, however, allow voters in the area to run for City office, to vote on City propositions and to serve on appointed boards and commissions. Since the City owns the electric and telephone utilities which serve the area, annexation will give voters the right to vote on ballot propositions concerning electric and

telephone service. They will also be franchised to vote on propositions concerning the City-owned water utility.

No redistricting will be required as a result of annexation.

2. Extent to which the annexation excludes minorities while including other similarly situated persons.

The annexation does not exclude minorities while including other similarly situated persons. The annexation includes all areas and populations appropriate for annexation without regard to race.

3. Extent to which annexation reduces the City's minority population percentage.

The City cannot obtain census data or other data on the percentages of minorities living in the area to be annexed. The Department of Community and Regional Affairs' records shows that the percentages of minorities living in the Borough and in the City are nearly the same. The annexation does not significantly affect the percentage of minorities living within the City. The City cannot obtain census data on the percentage of minorities living in the area to be annexed. The Department's data shows that the City's population is approximately 78.3% Caucasian, 15.7% native, 4.9% Asian/Pacific Islander and .6% African-American, with the remainder identified as other ethnic background. In comparison, the Borough's population is approximately 81.8% Caucasian, 13.7% native, 3.6% Asian/Pacific Islander, .5% African-American, with the remainder identified as other ethnic background. The ethnic composition of the area to be annexed is not available to the City. If, however, the percentages are extended to the area, approximately 80 of the 100 people living within the area would be Caucasian, 14 would be native and 4 would be Asian/Pacific Islander.

4. Whether the electoral system of the City fails fairly to reflect minority voting strength.

The electoral system of the City of Ketchikan reflects minority strength through at large elections for all offices.

5. Participation by minorities in the development of the annexation proposal.

The City has written to prominent minority group organizations to inform them of the pending annexation and to invite formal and informal participation by the organizations and their

members (see Exhibit I-14). The annexation has been discussed at several public meetings during which public comment was permitted by all persons.

6. Designation of Alaska Native for U.S. Department of Justice contact.

The City designates Ernest Boyd, a Tlingit, as the Alaska Native designated for U.S. Department of Justice contact. Mr. Boyd's address and telephone number are:

P.O. Box 6831
Ketchikan, Alaska 99901
(907) 225-2567

7. Statement concerning the minorities' understanding of English in written and spoken forms.

English is spoken and understood throughout the City of Ketchikan and throughout the Ketchikan Gateway Borough. All minority groups are familiar with English in written and spoken form. Spanish or Tagalog may occasionally be spoken within the Filipino community by new immigrants. Some residents are fluent in Tlingit, Haida or Tshimshian as well as English.

EXHIBIT H

PETITIONER'S BRIEF

This exhibit provides a written statement fully explaining how the proposed annexation satisfies the standards set out in 19 AAC 10.090 - 19 AAC 10.140, and 19 AAC 10.900 - 19 AAC 10.910 and demonstrates that:

1. There is a reasonable need for city government in the territory. **[19 AAC 10.090]**

The territory proposed for annexation is undergoing a significant change in character, evolving from rural and undeveloped lands into a major commercial corridor. Within the last five years, the area (hereinafter referred to as the North Tongass Addition) has experienced at least 56,602 square feet in new commercial construction resulting in additional taxable real and personal property values of \$4,754,502. With the exception of the new Spruce Mill Development located in downtown Ketchikan, the North Tongass Addition is experiencing the most extensive commercial development within the Ketchikan Gateway Borough. It will be the subject of even more commercial growth within the immediate future.

Businesses, which have already located in the North Tongass Addition, include Sign Pro, a sign manufacturer and the Narrows Inn, a forty-four room hotel and restaurant. Others have relocated from the City including Lewis Motors, a regional automobile sales and service business, and Ketchikan Auto Body, an automobile body shop. While maintaining its main offices within the City, the National Bank of Alaska has opened a branch office within the North Tongass Addition. One business, Southeast Diesel, has moved into the area from a location further north.

The North Tongass Addition contains one of the last major sites available for commercial or industrial use within the immediate vicinity of Ketchikan. This site is now the expected location of a 64,000 square foot Wal-Mart facility. It has been estimated that the store will hire 100 full-time and 50 part-time employees. When constructed, the Wal-Mart store will be by far the largest single retail operation in the Ketchikan community. The developer plans additional commercial uses for the remainder of the site. These may include a movie theater, which would probably replace the present one located in downtown Ketchikan, a restaurant and grocery store. Upon complete buildout the development is expected to generate 9,175 vehicular trips per day. Only the Plaza Port West/Carr's complex comprised of 185,916 square feet will be larger.

The North Tongass Addition currently receives only **minimal** government services associated with rural and residential areas. The Ketchikan Gateway Borough, a second class borough, provides such services as tax collection, zoning, planning, education and animal control. The Alaska Department of Transportation maintains North Tongass Highway but not the estimated 5,344 feet of collector streets in the territory proposed for annexation. Collector streets are either not maintained or are kept up by agreement among adjoining property owners. Building inspection services are minimal. To the extent they exist, such services are provided by State

inspectors stationed in Juneau. Solid waste (garbage) collection is either provided through a private hauler or by individual homeowners and businesses. Solid waste disposal is provided for by the City at its Deer Mountain Landfill. On-site sanitary sewage systems are regulated by Alaska Department of Environmental Conservation. A water service area exists for the North Tongass Addition, but it has no infrastructure and provides no services.

Fire protection services are provided through the Shoreline Service District. A one mill tax is imposed for this service area. The Shoreline Fire Department, which serves the area, owns two engines and one tanker. Twelve volunteer members are available of which two are full-time employees of the City Fire Department. EMS and Dispatch services are provided to the North Tongass Addition by the City Fire Department.

The Alaska State Troopers A Detachment provides law enforcement for the North Tongass Addition, as well as for the rest of Revillagigedo Island, Gravina Island, Pennock Island, Hyder and Prince of Wales Island. Six Troopers are assigned to the Ketchikan Station and two to Prince of Wales. The six troopers stationed in Ketchikan also provide law enforcement in Hyder and to the entire 1,748 square miles of the Ketchikan Gateway Borough which lie outside the City of Ketchikan. Due to its staffing levels, Alaska State Troopers A Detachment does not provide twenty-four hour coverage and often has only one enforcement officer on duty to cover the thirty plus miles of road within the Borough.

As the North Tongass Addition continues to grow, and within the context of present service delivery, there can be no question that the City of Ketchikan municipal government is needed, in order to adequately provide for the public works, fire protection and law enforcement needs of the area. No other entity, with the exception of the State of Alaska, can provide the necessary resources to extend these essential services.

Law enforcement is the most apparent and requisite need. The State Troopers have acknowledged that they will not be able to provide sufficient law enforcement services to the North Tongass Addition. The City of Ketchikan has nineteen officers covering three square miles in contrast to six State Troopers covering more than 1,748 square miles. A single trooper whose road patrol covers the entire thirty miles of the North and South Tongass Highway will be unable to respond to traffic accidents and traffic violations within the territory to be annexed. With the addition of 9,125 vehicular trips to the Wal-Mart complex, the need for timely responses is obvious. Without the City of Ketchikan's Police Department, traffic enforcement will be virtually non-existent at one of the most heavily trafficked roads in the Borough.

Traffic is not the only law enforcement problem that arises from the pending development of concentrated commercial activity at Mile 4 North. Shoplifting, theft, vandalism and other minor crimes will occur in the area. The parking areas associated with Wal-Mart and other development may well become a gathering place at night. More serious crime, such as assault, may inevitably occur as the result of the increased use of this area. The City Police Department is experienced in meeting the needs of commercial businesses. It already provides law enforcement services to the Plaza Port West/Carr's complex and to the downtown commercial district. Based upon its experience with Plaza Port West/Carr's, the City Police Department

expects that the commercial development proposed for the North Tongass Addition will generate in excess of 275 calls per year for law enforcement assistance. The City anticipates the addition of three more officers to meet this need. These officers will be backed up by the Department's current complement of nineteen. Without these resources effective law enforcement in the North Tongass Addition will not exist.

The North Tongass Addition also requires the fire and emergency medical services of the City Fire Department. The City's emergency medical services respond to all of the Shoreline Fire Department's fire calls. The Shoreline Fire Department is primarily equipped to address residential fires. The City of Ketchikan, through a mutual aid agreement, is relied upon to assist in fighting any significant fires. The agreement does not provide for compensating the City when mutual aid is requested. When the North Tongass Addition was a sparsely developed, rural-residential area, it was not unreasonable for its residents to request "mutual" aid from the City's professional firefighting department. The area had only occasional and minimal needs for these services and could not generate significant revenues to support a separate service or to meaningfully contribute to City services.

It is unreasonable to expect the City to continue to provide mutual aid to the Shoreline Fire Department, in order that the service district can provide fire suppression services to the North Tongass Addition. This is particularly true when one considers that the developing commercial area is based upon relocated and competing businesses, both of which erode the sales and property taxes that the City relies upon to fund services both within its boundaries and those which are offered to the community at large.

Increased development necessitates professional firefighters that are trained and who possess the equipment required to fight large fires and to deal with the special problems that arise in industrial and commercial fire suppression. Additionally, building and fire inspections become a more important consideration, in order to provide the public with the safety it assumes is available when visiting large commercial establishments. Given the growth that is expected to occur within the North Tongass Addition, the Shoreline Fire Department is **not** capable of providing firefighting services to the area in accordance with National Fire Protection Agency (NFPA) standards (see Exhibit I-3). The standards of the National Fire Protection Agency are specific in that "mutual aid agreements do not reduce the responsibility of each jurisdiction to maintain adequate facilities to handle normal fire protection needs." The City Fire Department has the capability of providing three engines, one ladder truck, air re-servicing capabilities, two Chief Officers, twenty-six firefighters, 15 EMS personnel and 15 dispatchers trained to perform EMS and support functions. These resources exceed the standards required by NFPA.

The North Tongass Addition does not have a government structure to maintain streets and drainage within the area. Winter maintenance, other than that provided by the State on the North Tongass Highway, is also non-existent. Given a projected buildout of 138,000 square feet at Mile 4 North and an estimated 9,175 vehicular trips per day to the area, the City is the only resource available to provide adequate streets and road maintenance. The insufficiency of existing government services is most recently evidenced by the Ketchikan Gateway Borough's request that the City Engineering Division undertake the review of the final

subdivision plat of the Mile 4 North development (see Exhibit 15). The Borough does not have the in-house staff expertise to provide these services to the North Tongass Addition and is relying on the City to provide for the appropriate review of streets, utilities, etc. This is but one more example of the need for City Government in the area proposed for annexation.

The North Tongass Addition can no longer exist with minimal government given the commercial growth experienced to date and that which is projected to occur in the immediate future. The State of Alaska and the City of Ketchikan are the only governments fully capable of fulfilling the public works, fire protection and law enforcement needs that are required within the area. Regardless of what revenues it may realize from corporate earnings within the North Tongass Addition, it is unlikely that the State will dedicate additional resources to meet the area's needs given falling oil prices, demands by the Legislature for significant budget reductions and the necessity of drawing down the Constitutional Budget Reserve. The City of Saxman and the Ketchikan Gateway Borough do not exercise areawide or non-areawide public safety and public works powers sufficient to meet the growing needs of the North Tongass Addition. To assume such powers and to provide such services would be both cost-prohibitive and redundant. The City does exercise such powers and is, alternatively, the logical choice to provide such services after annexation of the territory by Legislative Review.

Absent annexation the territory may see an erosion in those regional services including hospital health care, emergency medical and dispatch services, mental health and substance abuse services, educational and cultural services, etc., which are currently provided by the City either under its extraterritorial powers or on a community wide basis. A \$33.1 million shift in retail sales from Ketchikan to the North Tongass Addition and the subsequent loss of \$1.16 million in sales tax revenues will make it exceedingly difficult for the City to offer those services to the area at their current levels.

2. The character of the territory is compatible with the annexing city. **[19 AAC 10.100]**

The City of Ketchikan is a Home Rule municipality located on Revillagigedo Island situated in southern southeast Alaska. Having a population of 8,460, which represents 59% of total Borough inhabitants, the City is the center of residential, retail and business activity within the greater Ketchikan community.

The territory proposed for annexation is approximately one-half square mile and extends north from the City's boundary for about one mile along the North Tongass Highway. It consists primarily of residential and commercial properties consistent with that which currently exist within the City of Ketchikan. Commercial development within the North Tongass Addition is a continuation of the commercial corridor that runs through the City. Residential development within the area is similar to that found in the City. Land use regulations and platting requirements are comparable to those within the City. There are no characteristics of the territory or its inhabitants that are distinguishable from the City or its residents that should be considered in the context of the proposed annexation.

As there is limited property available within the City for residential, commercial or industrial development, the territory proposed for annexation is the means by which the City will be enabled to balance the resources of the community, in order to provide the greatest degree of services to all residents within the greater Ketchikan area.

3. The proposed new boundaries of the city include the human and financial resources necessary to provide essential city services on an efficient, cost-effective level. **[19 AAC 10.110]**

Upon complete buildout of the development proposed at Mile 4 North, the North Tongass Development is projected to realize annual sales of \$69.4 million per year. Of this amount \$33.1 million per year is expected to shift from sales inside the City to sales occurring outside the City limits. Absent the proposed annexation it is estimated that the City will experience a loss of sales tax revenues in the amount of \$1,159,550 per year.

If annexation of the proposed territory is approved and upon full buildout of the Mile 4 North development, the City expects to generate \$884,936 in additional revenues resulting from increased real and personal property taxes; new sales and transient occupancy taxes; State Revenue Sharing and Safe Communities Funding; and other miscellaneous service fees. Additional operating costs as a result of annexation are projected at \$311,810 by the end of the third year. The City has initially identified \$322,100 in capital improvements to be undertaken in the territory proposed for annexation, which have been programmed to be completed within two years. These projections clearly indicate the City will have the financial capability to extend municipal services to the North Tongass Development as proposed, while maintaining the regional services that are provided to the greater Ketchikan community.

In the absence of annexation the City will be hard pressed to maintain regional services without placing an undue burden on residents who reside within the City limits. Service reductions to both regional and City services, in conjunction with major increases in the City property tax levy, is the only alternative and one that is both inequitable and unacceptable. Since 1960 when the City became a home rule City, it has maintained the human and financial resources necessary to provide essential services that are expected of a home rule municipality. The proposed annexation protects and strengthens these resources.

4. The proposed new boundaries include a sufficiently large and stable population to support the extension of city government. **[19 AAC 10.120]**

The proposed new boundaries of the City following annexation are expected to increase the population by one hundred people or by 1.2%. As discussed throughout the petition, the extension of City government into the proposed territory is not driven by population considerations. It is justified as a result of the shift in commercial/retail sales that is anticipated from inside the City to the North Tongass Addition and the corresponding loss of sales tax revenues. If the proposed annexation is approved, the commercial properties within the area will generate the City sufficient revenues to maintain the regional services currently afforded to the greater Ketchikan community and to deliver municipal services to the residents and businesses in the North Tongass Addition. Since incorporation nearly 100 years ago, the

population of the City has been sufficiently large and stable enough to support essential local government services. The proposed annexation maintains that stability.

5. The proposed new boundaries include all land and water necessary to provide the full development of essential city services on an efficient, cost-effective level. **[19 AAC 10.130]**.

The territory proposed for annexation is approximately one-half square mile and extends north from the City's boundary for about one mile along the North Tongass Highway. It consists primarily of residential and commercial properties consistent with that which currently exist within the City of Ketchikan. The rationale for proposing its particular boundaries is two-fold.

Incorporating those areas that will undergo significant commercial growth in the near future allows the City to provide necessary services to residents and businesses within the North Tongass Addition at a manageable cost. Given the economic uncertainty following the closure of the Ketchikan Pulp Mill, the continuing decline of southeast Alaska's resource based economy and the significantly increased operating and capital costs of annexing additional territory, incorporation of the entire Shoreline Service District is not considered prudent at this time. Depending on how the first two issues resolve themselves in the long-term, additional annexation of territory may be considered in the future.

Secondly, and as has been discussed within the petition, the proposed new boundaries will offset the projected loss of \$1,159,550 in sales tax revenue that the City depends heavily on to finance in part the regional services provided to the greater Ketchikan community. By the end of its third year the proposed annexation is expected to generate \$884,936 in additional revenues resulting from increased real and personal property taxes; new sales and transient occupancy taxes; State Revenue Sharing and Safe Communities Funding; and other miscellaneous service fees. Additional operating costs as a result of annexation are projected at \$311,800. The City has initially identified \$322,100 in capital improvements to be undertaken in the territory proposed for annexation. The proposed new boundaries include all land and water necessary to provide the full development of essential city services on an efficient, cost-effective level.

These projections clearly indicate the City will have the financial capability to extend municipal services to the North Tongass Development as proposed and at the same time continue to offer those essential services that it affords the greater Ketchikan community.

6. The annexation will serve the balanced best interests of the State, the territory to be annexed, and all political subdivisions affected by the annexation. **[19 AAC 10.140]**.

An equitable balancing of interests clearly favors annexation of the North Tongass Addition. In its absence residents and businesses will not be provided with the public safety and public works services that will be required of such a rapidly growing area. Concurrently the City will be deprived of revenues that it depends upon to provide essential services to the greater Ketchikan community.

The State also has interest in assuring local governments have the tax base needed to provide services which only the State or local government can provide. If this tax base is lost to local government, the only other source of services and revenue is the State. It serves neither the interests of the State nor the City to have an expanding sales tax and property tax base located contiguous to the City's boundaries, which decreases tax revenues utilized by the City to provide essential regional services. The State's interest in having this annexation succeed are therefore the same as the City's in that the ability to provide essential services on a regional basis is maintained and that residents of the City are not deprived of services that they have come to depend on and expect.

The City has been the commercial, business and residential center of the Ketchikan Gateway Borough. The sales and property taxes generated from this commercial base have paid for areawide services provided by the City to all Borough residents. It has also paid for the public works and public safety services which primarily benefit the City's residences and businesses, but are also regularly used by non-City residents who commute to the City, who pass through, or who must come to the City for recreational, entertainment or personal business purposes. Eighty-one percent of the taxable sales in the Borough presently occur within the City and are taxed by the City.

The development occurring within the North Tongass Addition is depriving the City of the revenues it uses to fund these areawide and City-wide services without equally reducing the need or demand for these services. As was noted earlier in the City's petition, the relocation of auto sales and service dealerships and the construction of new over night lodging facilities outside the City have already cost the City at least \$97,000 in lost sales and transient occupancy taxes annually. Given the prospects of a slow growth or no growth economy due to the closure of the Ketchikan Pulp Mill, this loss cannot be recouped by the City.

By reasons of historical accident or its greater home rule powers, the City has borne the burden of paying for critical regional services. Unless the North Tongass Addition is annexed to the City, both non-City and City residents will erode the City's sales tax revenues by moving their shopping to this area where sales taxes are 3.5% less. Since the Borough sales tax will apply to this area, such a shift in sales results in a windfall of revenue that will not be used to provide for essential regional services that are now paid for by City taxpayers. Borough residents who live outside of the City would unfairly benefit by eroding City's sales taxes that are used for providing regional services and City services.

It is probable that the residents of the North Tongass Addition and perhaps existing businesses located in the area proposed for annexation will argue against the City's proposal on the grounds that it is not in their best interests to be annexed. Opponents will probably assert that they will not be "getting" anything for the annexation, that they are simply victims who happen to be located between the City's present boundaries and the Mile 4 North development and, as such, the City's annexation is a "money grab."

The average assessed value of a residence in the territory to be annexed is approximately \$182,000. The City recognizes that the average homeowner will pay \$1,165 annually in additional taxes as a result of annexation. The impact of these additional taxes is in part offset

by the elimination of the 1 mill Shoreline Service District and the .92 mill Borough non-areawide tax levies, which represent a reduction of \$349. Additionally, homeowners can expect up to a thirty-nine percent decrease in fire insurance premiums through at least 2005 at which time the City will undergo its next scheduled ISO evaluation. This equates to an additional savings of \$384 on a \$182,000 residence. This represents a net cost increase of \$432 to the homeowner within the area proposed for annexation, or 27%. Lastly, homeowners will be able to take advantage of the federal income tax deduction for property tax payments.

Total real and personal property taxes within the North Tongass Addition, including Wal-Mart, are expected to generate \$244,819 in annual revenues in the third year following annexation. Conversely public works, law enforcement and fire protection services comparable to that which City residents are currently receiving are estimated to cost \$311,810 by that date. Capital improvements in the amount of \$322,100 have also been programmed within the first two years following annexation. Residents and businesses of the North Tongass Addition will also continue to derive the benefit of those regional services that the City provides to the entire community.

In the absence of the proposed annexation residents and businesses in the North Tongass Addition will, in all likelihood, have to assume a greater percentage of the cost of these regional services through Borough sales and property taxes. The City will simply be unable to finance them at the level that the community has come to expect. Contrary to being a “money grab,” the proposed annexation is intended to provide needed municipal services to the North Tongass Addition and provide for the maintenance of regional services afforded to the community at large. It is the means by which the City will be enabled to balance the resources of the community, in order to provide the greatest degree of services to all residents within the greater Ketchikan area.

In the past, the obvious inequity caused by burdening City taxpayers for essential regional services has been frequently noted. The answer provided by the defenders of the status quo has been that non-residents have paid their fair share for these services through City’s sales taxes. It has been asserted that since non-City residents must do their shopping within the City, they are paying their share for these services through City sales taxes. The development that has occurred and is pending within the North Tongass Addition seriously undermines that status quo and justifies approval of the City’s annexation request.

The City recognizes that water service and perhaps sanitary sewer service are services which the residents and businesses in the North Tongass Addition may want and expect as a result of annexation. These services are not, however, provided to an area simply by virtue of its annexation to the City of Ketchikan. Large areas of the City’s present territory are not served by sanitary sewer or water service. In 1983 the City annexed, for example, 85.16 acres of land lying north of the Jackson Street residential neighborhood. What water and sewer infrastructure that was provided to this area was done so through a local improvement district. When the City has recently extended water and sanitary sewer service, it has done so through a combination of grant funding and local improvement district assessments or similar charges to the property receiving the service. In some cases, the assessments have been reduced by combining the cost of service extension with other public projects being undertaken by the

City. Once water and sewer lines are extended to property, the ongoing expenses are paid for by monthly charges, not from general property or sales tax. When water or sewer lines need repair or replacement, the cost of this work is paid for by an increase in water or sewer charges, not by the general property or sales tax.

It may be argued that, with the increased sales and property tax revenues generated from the Mile 4 North development, the City can and should pay the multi-million dollar cost needed to extend water and/or sewer to the North Tongass Addition. This argument fails for several reasons. First, as discussed above, a large share of the revenues derived from annexation are required to maintain regional services and to provide needed municipal services to the North Tongass Addition. Secondly, other property owners have had to pay for sewer and water service with funds above and beyond their tax payments. City businesses and residents will be required to pay for the replacement or repair of water and sewer infrastructure with new charges, not the taxes generated from their property. Thirdly, as noted earlier in this brief, the taxpayers of the North Tongass Addition will be receiving new services for taxes paid and will continue to be the beneficiary of regional services provided by the City if the annexation is approved. Lastly, extension of water and sewer service to the North Tongass Addition will provide the Mile 4 North Development a benefit that no one else receives. All taxpayers would like to dedicate the taxes generated on their properties to improvements which directly increase property values or which directly enhance their lifestyles.

Given the chance, every taxpayer would allocate his or her taxes to improve the street, park, sewer or other public works serving his or her property. This decision is not for the taxpayer to make. Legislative bodies determine public priorities and allocate resources accordingly. It is for future City Councils to determine whether part or all of the additional revenues generated from annexation of the North Tongass Addition be applied to public improvements, to pay for other services or to reduce overall taxes.

Lastly, the City recognizes that the Shoreline Fire Department has an interest in the proposed annexation and should be considered. The City has no intent to raise the costs of fire protection for that portion of the Shoreline Service District which remains following annexation. The City does not intend to strip the Shoreline Service Area of the revenues it has been receiving from the North Tongass Addition. To the contrary the City has offered to maintain the revenues which the Shoreline Service Area has been receiving. In return the City has requested that the Shoreline Department act as first response to calls in the North Tongass Addition with appropriate supplemental services provided by the City Fire Department. This will improve service to the area by combining the City's extensive firefighting resources with the Shoreline Fire Department's proximity. To the extent that the Shoreline Fire Department finds that its costs for the North Tongass Addition exceed its present revenues, the City will negotiate for an equitable increase. The City does not believe, however, that the Shoreline Service District should realize a windfall resulting from commercial development within the North Tongass Addition. In the event that the Shoreline Service District and the City cannot negotiate an agreement, the City is prepared to offer full fire protection services with its own resources to the territory proposed for annexation.

Again, the proposed annexation cannot and should not be labeled as a "money grab." Rather, it is an attempt to address an expanding sales and property tax base contiguous to the City's

boundaries which, while dependent upon the City's population and business base, will divert tax resources needed to provide services to the community as a whole. Whether or not the annexation will increase City revenues is not the test to justify its legitimacy. If this were to be the test, the business of the Local Boundary Commission would be complete and the State's existing municipal boundaries could be marked for perpetuity. Except under compelling circumstances, no City is likely to seek to annex lands which will burden its taxpayers. The test should be how excess revenues are intended to be used and whether such use serves the balanced interests of the State, the territory to be annexed and all affected political subdivisions. Maintaining the City's ability to fund current services within its existing boundaries; enabling the City to provide needed public services to the North Tongass Addition; and insuring the City's financial capability to fund those regional services that benefit the greater Ketchikan community are all criteria that clearly meet this test. Unless the State permits annexations of areas capable of generating tax revenues in excess of the cost to extend governmental services, the State will be permanently burdened with the cost of providing these services. In this case application of the "balanced best interests" test insures the well-being of the State, the City, the Borough and the area proposed for annexation. As a result, approval of the petition annexation is respectfully requested.

7. The annexation will not deny any person the enjoyment of any civil or political right because of race, color, creed, sex or national origin. **[19 AAC 10.910]**.

All civil rights and political rights are and will be extended on an equal basis to residents of the North Tongass Addition as well as to all residents of the City of Ketchikan. Nothing in the annexation denies or limits the exercise of any civil or political rights to any person.

EXHIBIT I

OTHER INFORMATION

Attached to this page is other information that may be helpful in considering this petition. These materials include:

1997 Gross Borough Sales (I-1).

Map and Photographs of Development Within the Territory Proposed for Annexation (I-2).

Analysis of Shoreline Fire District Firefighting Capabilities of Mile 4 North Development (I-3).

Ketchikan Daily News Accounts of Wal-Mart's Interest in Ketchikan (I-4).

Relevant Portions of Borough Planning Commission and Assembly Reports and Meeting Minutes regarding the Proposed Development at Mile 4 North (I-5).

North Ketchikan Center Development Proposal (I-6).

Wal-Mart Retail Transportation Analysis, Ketchikan, Alaska (I-7).

Retail Trade Analysis for Kodiak Island (I-8).

Photographs of Regional Service Facilities Owned and Operated by the the City of Ketchikan (I-9).

Borough Planning Department Annexation Population Projection (I-10).

1997 Gross Sales Within Territory to be Annexed (I-11).

City of Ketchikan Proposal to Shoreline Service District for Fire Suppression Services (I-12).

Statements from the Ketchikan Gateway Borough and City of Saxman Expressing Their Positions Regarding the Annexation Proposal (I-13).

Letters to Prominent Minority Groups Notifying Them of the Proposed Annexation (I-14).

Letter from Borough Manager Requesting Engineering Division Review of Mile 4 North Platt Application (I-15).

The City's Current Operating Budget and 1997 Comprehensive Annual Financial Report (I-16).

EXHIBIT J
AUTHORIZATION

See attached Resolution 99-1930

PAGE TWO

7. A statement of taxes levied in the territory proposed to be annexed provided in paragraph #12 of the petition was based on information provided by Robert Newell, Jr., who relied upon information received from Lance Mertz, Cash Management Supervisor of the Ketchikan Gateway Borough.

8. The statement of the value of taxable real and personal property in the City and the territory proposed to be annexed provided in paragraph #13 of the petition was based on information provided by Robert Newell, Jr., who relied upon information received from Dennis Finegan, Director of Assessment of the Ketchikan Gateway Borough.

9. The statement of the value of taxable sales in the territory proposed to be annexed provided in paragraph #14 of the petition was based on information provided by James Voetberg and Robert Newell, Jr., based upon information provided by the Borough Auditor, James Bride, the owner of the proposed Wal-Mart site, the City of Kodiak, and Harvey Hansen, the Director of City Public Works for the City of Ketchikan.

10. The statement of other revenues, which may accrue to the City as a result of annexation provided in paragraph #15 of the petition, was based on information provided by Robert Newell, Jr., in consultation with James Voetberg, Edward Anderson, Dennis Finegan, Richard Leipfert, City Fire Chief for the City of Ketchikan, and Bill Doltzen, Department of Community and Regional Affairs.

11. The statement of expenses, which the City may incur as a result of annexation provided in paragraph #16 of the petition was based on information, provided by Richard Leipfert, Daniel Anslinger III, the Police Chief for the City of Ketchikan, Harvey Hansen, and their respective staff.

12. The statement of City services provided in paragraph #17 of the petition was based on information known to me to be true.

13. The statement of extraterritorial City services as provided in paragraph #18 of the petition was based on information provided by Steven H. Schweppe, City Attorney for the City of Ketchikan.

14. The statement of City bonded indebtedness as provided in paragraph #19 of the petition was based on information provided by Robert Newell, Jr.

15. The transition plan presented as Exhibit E of the petition was prepared in consultation with the following parties:

Ketchikan Gateway Borough
Shoreline Volunteer Fire Department
Wal-Mart

16. The federal Voting Rights Act information presented as Exhibit F of the petition was prepared by Steven H. Schweppe.

17. The estimate of the average assessment of a residence in the Shoreline Service District stated in paragraph 8 of section 6 of Exhibit H of the petition, was prepared by James Voetberg who relied upon records and information provided to him by the Ketchikan Gateway Borough Assessment Department.

18. The estimate of the cost of fire insurance policies contained in paragraph 8 of section 6 of Exhibit H of the petition was provided by State Farm Insurance, Ketchikan.

19. The information contained in the petition for annexation is complete and factual to the best of my knowledge.

DATED this _____ day of _____, 1999.

Petitioner's Representative

SUBSCRIBED AND SWORN TO before me on _____, 1999.

[notary seal]

Notary Public in and for Alaska

My Commission expires: _____