City of Dillingham  
Responsive Brief On  
Petition to Annex THE WEARY/SNAKE RIVER TRACT, THE SNAKE RIVER SECTION AND IGUSHIK SECTION OF THE NUSHAGAK COMMERCIAL SALMON DISTRICT, AND THE IGUSHIK VILLAGE TRACT, CONSISTING OF 118 SQUARE MILES OF WATER AND 37 SQUARE MILES OF LAND,  
Using Legislative Review Method  

February 26, 2016  

BOYD, CHANDLER & FALCONER, LLP  

By:  
Brooks W. Chandler  
Attorney for City of Dillingham  

Page 1 – Responsive Brief
AS 29.35.260(c) makes planning power optional for second class cities such as Manokotak. The city's current ordinances\textsuperscript{16} do not provide for any planning and zoning authority within existing city boundaries. If the city has not exercised planning and zoning powers within existing boundaries a claim that annexation is necessary to provide for planning powers on any of the land within Tracts A, B and C is not logical. Igushik is a seasonal community which as documented by Manokotak's petition has been in existence for decades. The municipality of Manokotak has been in existence for decades without exercising planning and zoning authority. There is no indication of a historical need for the exercise of such power either within Manokotak or within the territory it proposes to annex. Given this history the assertion that annexation is necessary to prevent haphazard development is a stretch too far. The need for city government at Igushik Beach has not been demonstrated.

**WITHIN TRACT B DILLINGHAM HAS THE ABILITY TO PROVIDE ESSENTIAL SERVICES MORE EFFICIENTLY AND EFFECTIVELY THAN MANOKOTAK**

In its December 2011 decision approving Dillingham's annexation petition the LBC found "no other existing municipality has the ability to provide essential municipal services to the territory to be annexed more efficiently and more effectively" than Dillingham\textsuperscript{17}. The territory to be annexed included Tract B. This finding was based in part on the absence of an expressions from Manokotak that Manokotak residents wanted or were capable of providing essential municipal services within Tract B. This is not surprising. The focus of Manokotak's petition is on provision of services in Tract C the upland area adjacent to Igushik Beach. But Dillingham's long history of providing support services to the Nushagak District permit holders through existing port and harbor facilities, a landfill, roads and public utilities all of which are needed to provide a way to harvest fish, process fish and transport fish to market argues in favor of an LBC determination that Dillingham is more efficiently and effectively able to provide services within Tract B. That Manokotak has filed an annexation petition does not change the nature and value of the services actually provided by Dillingham in Tract B. A hope to provide services in the future does not diminish Dillingham's history of providing services for decades. Dillingham remains the most effective and efficient municipality to provide services to permit holders fishing in the Igushik Section of the Nushagak District.

**MANOKOTAK'S PROPOSED FISH TAX CANNOT BE FEASIBLY IMPLEMENTED.**

3 AAC 110.110[4] requires the LBC to consider the feasibility and plausibility of Manokotak's proposed operating and capital budgets. Both capital and operating budgets submitted with the Manokotak petition are premised on collection of a 2% raw fish tax on fish harvested within the proposed expanded Manokotak boundary\textsuperscript{18}. Whether the fish tax is feasible to implement is integral to Manokotak's plan to extend services to Igushik Beach.

\textsuperscript{16} Exhibit G (excerpt from Manokotak code).

\textsuperscript{17} Dec. 12, 2011 Decision p. 6.

\textsuperscript{18} Manokotak Petition p. 65.
Manokotak has not provided a specific proposed fish tax with its petition\(^{19}\). Such taxes typically take two forms; 1) a version of a sales tax in which the tax is imposed on the seller of raw fish and collected by the buyer at the point of delivery\(^{20}\), and 2) a severance tax also based on the value of fish levied based on where fish were caught and also collected by the buyer at the point of delivery\(^{21}\). Neither version is feasible to implement within proposed Tract B. Understanding why requires an understanding of how fish caught within Bristol Bay by the drift fleet are sold, delivered, and identified.

The Bristol Bay fishery is managed by the Alaska Department of Fish and Game (ADF&G) in accordance with a published management plan. For management purposes, Bristol Bay is divided into 5 Districts\(^{22}\). A commercial drift permit is issued for the entire Bristol Bay fishery. A Bristol Bay limited entry drift permit can be fished in any one of the 5 commercial fishing districts – Togiak, Nushagak, Naknek-Kvichak, Egegik, Ugashik. A permit holder may fish in the Nushagak District or may fish on the eastern side of Bristol Bay in the Egegik District\(^{23}\). This election is made before starting to fish and may be changed with 48 hour notice.

The Nushagak District drift net commercial fishery is divided into three sections - the Nushagak (or “all other”), Snake River (closed), and Igushik\(^{24}\). Within the Nushagak District a drift permit holder may fish in either the Igushik Section or the Nushagak Section without making any formal declaration and can move between sections without advance notice. ADF&G may open the entire Nushagak District or to ensure escapement in the Igushik Section is met, will very occasionally only open the Nushagak Section\(^{25}\).

\(^{19}\) Manokotak’s Transition Plan does not provide a schedule for adoption of such a tax or implementation of collection. Should the LBC approve Manokotak’s petition such approval should be conditioned on actual adoption and implementation of a fish tax. [3 AAC 110.570(c)(1) [authority to impose conditions on annexation].

\(^{20}\) See, for example SPCO 6.10.110(b)(City of Sand Point sales tax); UCO Chapter 6.44 (City of Unalaska raw fish tax).

\(^{21}\) Chapter 60.40 (Aleutians East Borough severance tax). These local ordinances are attached as Exhibit H.


\(^{23}\) 5 AAC 06.370(a) and (b)(notice of election of district required, change in district permitted with advance notice).

\(^{24}\) 5 AAC 06.200.

ADF&G has designated six set net areas and the two drift fishery sections as statistical areas. Manokotak seeks to annex both the Igushik Beach set net statistical area (325-11) and the Igushik Section drift fishery statistical area (325-10).

Bristol Bay fish deliveries are made on the water to tenders and recorded using either paper or electronic fish tickets. The Bristol Bay drift fleet reports all salmon caught in Bristol Bay by “District Caught” not by statistical area. When the entire Nushagak District is open salmon harvested are reported as “Nushagak District” fish using the 325-00 designation. According to ADF&G “it is not possible to separate harvest by section” when both the Igushik Section and the Nushagak Section are open. Permit holders and fish buyers are not required to estimate or separately identify in which section a particular fish was harvested.

This means Manokotak’s planned fish tax is not capable of being implemented and enforced under the current ADF&G reporting system. This greatly complicates Manokotak’s plan to collect fish tax levied on fish harvested in the Igushik Section. In fact, Manokotak told ADF&G the current reporting system “may frustrate the ability of Manokotak to determine which fish harvests are subject to the 2% raw fish tax Manokotak proposes in its annexation petition . . . Unless ADF&G’s fish tickets specifically identify salmon as being harvested from the Igushik Section, it may not be feasible to have the fish buyers collect and remit the tax payments”.

3 AAC 110.110[4] requires the LBC to assess the “feasibility” of Manokotak’s anticipated capital and operating budgets. Those budgets are premised on an assumption of collecting raw fish tax on fish harvested from the Igushik section that, by Manokotak’s own admission is of doubtful feasibility. It is not in the best interests of the State of Alaska to encourage the expansion of municipal boundaries based on taxation schemes that are not feasible to implement. This is not simply a matter of two municipalities taxing the same delivery of the same fish at different rates. Rather, tax collection would be destined to be based on estimates not capable of verification or audit. These are standard features of a sales tax critical to its feasibility. Manokotak’s taxation plan is simply not capable of implementation given the current fish ticket reporting system used by the State of Alaska. The LBC should avoid approving a

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26 Exh. J (ADF&G Nushagak Commercial Salmon Statistical Area Maps. The set net statistical areas are Ekuk, Clarks, Queens, Nushagak/Combine, Coffee Pt. and Igushik.)

27 Exh. K (Series B Bristol Bay Salmon Fish Ticket).

28 Id. (area highlighted).

29 Exh. I (ADF&G Nov. 25, 2015 letter to James Brennan).

30 Exh. L (James Brennan to ADF&G Commissioner Nov. 10, 2015).
November 25, 2015

James T. Brennan
Law Offices of Brennan and Heideman
619 E. Ship Creek Ave #310
Anchorage, AK 99501

Dear Mr. Brennan:

Commissioner Cotten asked me to respond on his behalf to your recent letter on fish ticket reporting in Nushagak Bay. I understand why your client is interested in more detailed reporting as it could bolster tax revenues for the City of Manokotak if the annexation request is successful.

On October 20, 2015, Assistant Attorney General Seth Beausang with the Department of Law provided you with the following guidance:

The Nushagak District drift gillnet fishing area may be opened by individual section (the Nushagak section (325-30) or Igushik section (325-10)), or as a whole (the Nushagak and Igushik sections together (325-00)). The regulation at 5 AAC 39.130(c)(7) refers to statistical area, district, and subdistricts. The Nushagak District does not have any subdistricts. When the entire district is open harvests are reported as 325-00 and that is all the regulation and department require. There is no requirement to list the section where fish are harvested when the entire district is open (reporting is different when only one section is open). Furthermore it is not possible to separate harvest by section when both are open.

Mr. Beausang reviewed your November 10, 2015 memorandum and has not changed his position that our reporting practices in Nushagak Bay are consistent with Alaska’s statutes and regulations. He did, however, ask me to respond to your assertion that our use of statistical areas for purposes of fish ticket reporting conflicts with the definition of the “Igushik Statistical Area” in 5 AAC 06.370(f). Mr. Beausang pointed out that this regulation defines statistical areas in the Nushagak District “[f]or purposes of this section” only, and the regulation pertains to registration and not reporting. I would also like to add there are other areas of the state (e.g., Upper Cook Inlet) where reporting on fish tickets is handled in a similar manner.

As there are several reasons why your request is impractical for the department and fishermen, I am unable to accommodate your request. If you have any further questions on this issue, please contact Mr. Beausang directly.
Sincerely,

Scott Kelley
Director

Cc: Sam Cotten, Commissioner
    Seth Beausang, Department of Law
LOCAL BOUNDARY COMMISSION

DECISIONAL MEETING

December 1, 2016
9:07 a.m.

Taken at:
Anchorage, Alaska

Commissioners Attending:
Lynn Chrystal, Chairman
John Harrington (via telephone)
Bob Harcharek (via telephone)
Lavell Wilson
Darroll Hargraves

Staff Attending:
Eileen Collins
Brent Williams

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teleconference.

MS. MACSALKA: You -- Chair Chrystal, you can ask everybody to go on mute maybe, except the two Commissioners. That helps (inaudible).

CHAIR CHRystal: Yeah. I did that several times yesterday. It helped.

MS. COLLINS: Yesterday.

MS. MACSALKA: Oh, I'm sorry.

CHAIR CHRystal: We've actually had to disconnect and start over a couple times.

MS. COLLINS: I guess we could remind people.

CHAIR CHRystal: Okay. Anyway. I'm sorry to interrupt you, Commissioner Wilson, you were starting to --

COMMISSIONER WILSON: Is that appropriate now to --

CHAIR CHRystal: Yeah.

COMMISSIONER WILSON: My thought on -- rather than excluding all of Tract B, would be to give from the mouth of the Weary River a 3-mile-wide corridor all the way down to the bottom of Tract B following the coastline. That would protect their setnet fishery 3 miles out and
about it. But in this petition as well as in another petition we're going to look at, there's nothing out there but fish. Fish don't vote and fish don't particularly need any services from those municipalities. So I -- in my estimation, that standard is not met.

CHAIR CHRYSAL: Okay. I totally disagree. I think there are residents out there, but they're not out there full time.

COMMISSIONER HARGRAVES: No.

CHAIR CHRYSAL: They're out there part of the year, but they're still residents. They still use that property and that land for probably, what? Four months. So I do feel those are residents and this would help, say, the people that live there. That's the people that are there part time.

We heard so much testimony about how Manokotak just basically pulls up stakes and moves out there during the fishing season. So I'm not sure how you could not consider them residents.

COMMISSIONER HARGRAVES:

Mr. Chairman?

CHAIR CHRYSAL: Yes.

COMMISSIONER HARGRAVES:

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municipal services on an efficient, cost-effective level? The Commission may consider relevant factors; including, land use and ownership patterns, population density, existing and reasonably anticipated transportation patterns and facilities, natural geographic features and environmental factors, and extraterritorial powers of cities.

I presume we'll have a little disagreement here on the boundaries. I know Commissioner Harrington would disagree with having so much water.

COMMISSIONER HARRINGTON:
Absolutely.
CHAIR CHRYSTAL: What you got against water?
COMMISSIONER HARRINGTON: I don't. And if I make it clear, I would seriously consider having the boundaries of such a city include the natural setnet area -- for that area to be included. It's just that massive inclusion of the bay that I have problems with.
CHAIR CHRYSTAL: Okay. Fair enough.

COMMISSIONER HARCHAREK:
a little bit, and we missed that last -- at least
I missed part of that last couple minutes.

COMMISSIONER HARRINGTON: Can you
hear me fine?

CHAIR CHRYSTAL: Yeah. Right there
is perfect.

COMMISSIONER HARCHAREK: That's
better. Much better.

COMMISSIONER HARRINGTON: Okay. I
will stay standing still. Now, where was I?

CHAIR CHRYSTAL: We were talking
boundaries and water.

COMMISSIONER HARRINGTON: The
noncontiguous nature of the Manokotak city --
current city and the Section C and the water in
front of Section C is not contiguous to the city
limits of Manokotak. That's my only dilemma.

And yet if we have the option of waiving
that -- because I think we have a clear indication
of the historical ties and community ties between
the two. That's, to me, the only real problem I
see adding Section C and the waters above Section
C to the City of Manokotak is that noncontiguous
section.

CHAIR CHRYSTAL: Well, I would
counter that by saying that it is contiguous, if you use part of Tract B.

COMMISSIONER HARCHAREK: Correct.

CHAIR CHRYSTAL: Anyway. Okay.

Anybody have any more comments on that?

COMMISSIONER HARGRAVES:

Mr. Chairman?

CHAIR CHRYSTAL: Yes, sir.

COMMISSIONER HARGRAVES:

Commissioner Hargraves. I question the population density. I question anticipated transportation patterns and facilities. That corridor, if it had a road scheduled through it, if there was some kind of need for that, I could understand it. I do have questions on those.

As far as the water is concerned, this annexation, a lot of the information that was provided to us, makes it clear that what we're after is fish. Now, whether you take a 200-foot strip along that beach or whether you take the whole area is immaterial to me.

The petition, as they put it in, to my mind, doesn't need any amendments. I just question the overall petition, but have no interest in modifying or amending this petition request.
continually on down to the very bottom of Tract B, you'd basically half Tract B and would still leave all that contiguous area. I think that would be a very good solution.

CHAIR CHRYSAL: I think you're absolutely correct, Commissioner Wilson.

COMMISSIONER HARGRAVES: Mr. Chairman?

CHAIR CHRYSAL: Yes, sir.

COMMISSIONER HARGRAVES: Commissioner Hargraves. What would be the purpose of reducing that water portion? What's the purpose of that?

COMMISSIONER WILSON: Of reducing it?

COMMISSIONER HARGRAVES: Yeah.

COMMISSIONER WILSON: Well, need, for one thing. Their basic need is along the shore, not way out in the bay. They testified there's not many drift fisherman even drift in that area. It's -- their main concern was the setnetters and the need for a corridor. And we get into that contiguous thing. That would keep it contiguous.

CHAIR CHRYSAL: I could accept all
with second-class cities in recent years.

I don't know how to get guidance on it, but I cannot believe that people at the constitutional convention foresaw a second-class city of this configuration and size. Thank you.

CHAIR CHRYSAL: Okay. Any other comments?

COMMISSIONER WILSON: I'd just like to point out that, you know, you're talking about the size of the cities, Wasilla and Palmer. They're not annexing -- they don't cover large expanses of water. You know, it's strictly land.

And now we've gotten into this thing where cities are annexing water and have been for some time, which greatly increases the amount of square miles that city has. But it doesn't really -- we're talking apples and oranges is what I'm saying.

CHAIR CHRYSAL: Right. Any comments on that? We still --

COMMISSIONER HARRINGTON: Well, Commissioner Wilson --

CHAIR CHRYSAL: Do we still assume that we're in the best interest of the State here on this one?
CHAIR CHRYSAL: No. He was talking about --

COMMISSIONER HARRINGTON:

Hargraves. He said it was not in the best interest of the State. I heard that part, but I did not hear what he was referring to.

CHAIR CHRYSAL: Well, we were discussing item 7. At the very end it says, And is in the best interest of the State.

COMMISSIONER HARRINGTON: And is he referring to the entire annexation proposal?

COMMISSIONER HARGRAVES: Correct.

CHAIR CHRYSAL: Excuse me. You're saying that you're -- the entire proposal is not in the best interest of the State?

COMMISSIONER HARGRAVES: Yes.

CHAIR CHRYSAL: Because I thought earlier you were saying that you accepted the petition?

COMMISSIONER HARGRAVES: I said I wouldn't vote to amend it to cut the water. But I'm saying that that proposal, I don't see how it benefits the State one iota. The State will continue to do everything that they have done in the past out there, provide education, what have

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call vote.

MS. COLLINS: Chair Chrystal?

CHAIR CHRYSTAL: Yes.

MS. COLLINS: Commissioner Wilson?

COMMISSIONER WILSON: Uh...

MS. COLLINS: I can come back to you.

COMMISSIONER WILSON: Come back to me.

MS. COLLINS: Commissioner Hargraves?

COMMISSIONER HARGRAVES: Yes.

MS. COLLINS: Commissioner Harrington?

COMMISSIONER HARRINGTON: No.

MS. COLLINS: Commissioner Harcharek?

COMMISSIONER HARCHAREK: Yes.

MS. COLLINS: Commissioner Wilson?

COMMISSIONER WILSON: I'm going to vote no. I'm in favor of the petition, but not to include all of Tract B. So I'll vote no.

CHAIR CHRYSTAL: Okay. We have a vote of three to two.

MS. COLLINS: The record will
Mr. Chairman?

CHAIR CHRYSAL: Yes, sir.

COMMISSIONER HARGRAVES: Since I took a no position with Manokotak, perhaps it's okay for me to insert no here. There is no need for government on those fish.

CHAIR CHRYSAL: Okay. Anybody else? Commissioner Wilson? Okay. We have mostly noes on that one.

Under boundaries, 3 AAC 110.130(c)(2). To promote the limitation of community, the proposed expanded boundaries of the city may not include entire geographical regions or large, unpopulated areas. Do they include entire geographic regions or large, unpopulated areas?

COMMISSIONER WILSON: Yes.

COMMISSIONER HARRINGTON: Yes.

COMMISSIONER HARCHAREK: Yes.

COMMISSIONER HARGRAVES: Yes.

CHAIR CHRYSAL: Okay. We have a whole bunch of yeses. Okay. If yes, are those proposed boundaries justified by the application of standards in 3 AAC 110.090, 3 AAC 110.135, and are otherwise suitable for city government?

COMMISSIONER HARRINGTON: Yes.
CHAIR CHRYSTAL: Okay. Anybody else?


CHAIR CHRYSTAL: Okay. I believe yes as well.

Okay. Boundaries, 3 AAC 110.130(d). Does the petition for annexation to the city describe boundaries overlapping the boundaries of an existing organized borough?

COMMISSIONER WILSON: No.

CHAIR CHRYSTAL: Okay.

COMMISSIONER HARCHAREK: No.

COMMISSIONER HARRINGTON: Yes.

CHAIR CHRYSTAL: We can skip to the next question. If yes, does -- no. Wait. We didn't do that.

MS. COLLINS: Bottom one.

CHAIR CHRYSTAL: Yeah. Does the petition for annexation to the city describe boundaries overlapping the boundaries of another existing city?

COMMISSIONER WILSON: Yes, it does now.

CHAIR CHRYSTAL: I was just going
CHAIR CHRYSAL: Oh, you're saying yes. Okay. I guess maybe I have a question for our attorney. You know, the answer to this question would be yes if there's a borough getting ready to form or is already in the process. But it may be years and years and years before that happens.

So do we answer the question in today's world or the future? I think, today's world. If we start voting on things that may happen 10, 20, 30, 40 years from now, we'll be in trouble.

COMMISSIONER HARRINGTON: My apologies, Chair.

CHAIR CHRYSAL: Yes.

COMMISSIONER HARRINGTON: Based on the last one, I would have to say the standard is met and the answer is no.

CHAIR CHRYSAL: Okay.

COMMISSIONER HARGRAVES: Mr. Chairman?

CHAIR CHRYSAL: Yes, sir.

COMMISSIONER HARGRAVES: I think what this says is, can these municipal services be provided more effectively and more -- more effectively by the creation or modification of
some other political subdivision? And based on
that, I say yes.

It's clear to me that the creation of a
borough would take care of a lot of the problems
that we've had presented to us in here. It would
be the streamlined, most efficient and, in my
estimation, best interest of the State.

CHAIR CHRYSSTAL: Okay. Anybody
else? I'm not going to bet on the future. I
mean, as far as --

COMMISSIONER WILSON: That's the
thing.

CHAIR CHRYSSTAL: -- way out in the
future, yes, a borough would be better. But it's
not something we're discussing today, I don't
think.

COMMISSIONER WILSON: Yeah.

COMMISSIONER HARRAVES: But the
question is; can it be?

CHAIR CHRYSSTAL: Yeah, I know. But
can it be -- it can't -- as far as I'm concerned,

it can't be right now because we don't have a
borough, and we don't have a plan for a borough.
So, therefore, we can't do it better. At least

that's the way my mind is going here.
MR. BALDWIN: Yes. I'll try. We would like -- what our exhibits do -- Exhibit 30 describes the exclusions that we asked for from the south boundary of Clark's Point City north to Igushik Point.

And we asked -- except for the exclusion around Clark's Point, what we asked for is waters within statistical area 325-31 and 325-32, all waters which are legal for setnetters to extend their nets seaward from shoreline to the point they can extend their nets seaward.

Then on -- and for your information, the -- and I'm referring to Commissioner Wilson -- the areas that he expressed doubt about are the waters in statistical area 325-31. That's from Queens north to Igushik Point.

As to the next exhibit, what we're requesting is all waters within the statistical areas going south from the south border of the City of Clark's Point down to Etolin Point (phonetic). And those include the waters within statistical area 325-34 and Clark's Point, which is 325-33. So Queens and Combine are in the north. Clark's and Ekuk are in the south.

And, again, the area that you're concerned Northern Lights Realtime & Reporting, Inc. (907) 337-2221
MS. COLLINS: Four for and one against.

CHAIR CRYSTAL: Okay. The motion passes. Now we're back to the original motion, which is to approve the Dillingham petition as amended.

MS. COLLINS: Correct.

CHAIR CRYSTAL: And with the stipulation that we put on the amendment that staff and Mr. Baldwin will work together to get those lines squared up in the metes and bounds. So any further questions or comments about the motion, the main motion?

Okay. Can we have a roll call, please?

MS. COLLINS: Chair Chrystal?

CHAIR CRYSTAL: Yes.

MS. COLLINS: Commissioner Wilson?

COMMISSIONER WILSON: Yes.

MS. COLLINS: Commissioner Hargraves?

COMMISSIONER HARGRAVES: Yes.

MS. COLLINS: Commissioner Harcharek?

COMMISSIONER HARCHAREK: Yes.

MS. COLLINS: Commissioner
Harrington?

COMMISSIONER HARRINGTON: Yes.

MS. COLLINS: Five in favor.

CHAIR CHRYSAL：Okay. Motion for

the City of Dillingham is approved, and we'll look

forward to those metes and bounds to be exact

before we have our final written statement. And

that will be somewhere -- we don't have that

scheduled yet, do we?

MS. COLLINS: No. But we could do

that in this meeting.

CHAIR CHRYSAL：What? Schedule

the --

MS. COLLINS: The next one.

CHAIR CHRYSAL：Well, we'd have to

make sure that we've got all the information

beforehand.

MS. COLLINS: Right. But we have a

very strict deadline. So either we --

CHAIR CHRYSAL：Well, it's 30

days. Yeah.

MS. COLLINS: Christmas.

MS. MACSALKA: Yeah. I would

recommend going ahead and setting that. And you

can set it as close to the 30 days as you wish,
LOCAL BOUNDARY COMMISSION
PUBLIC MEETING

December 20, 2016
10:00 a.m.

Taken at:
Atwood Building
550 West 7th Avenue, Suite 1620
Anchorage, Alaska

Commissioners Attending:
Lynn Chrystal, Chairman
Darroll Hargraves (via telephone)
Lavell Wilson (via telephone)
John Harrington (via telephone)
Robert Harcharek (via telephone)

Staff Attending:
Eileen Collins
Brent Williams
Mary Lynn Mascalka, Department of Law
Lynn Kenneally
Marty McGee
Jan Levy
I came to the conclusion and agree with staff that it is not clear. That is because at one point in the transcript the Commission said that the standard with respect to (c)(1), which I will read to you in a moment, was not met. And then a few pages later in the transcript said that it was -- or at least that there was no objection to a statement that it had been met later in the transcript.

So in my opinion that does create an ambiguity that staff was not comfortable guessing what the Commission concluded that day. So we are asking, and I'm asking on behalf of staff, that you look at the standard in (c)(1) of regulation 130 regarding boundaries again, and that you clarify your findings and conclusion as to whether that particular standard was met.

There are two subparts to (c), and I believe they go in tandem and both need to be examined and met; but essentially we are seeking your clarification regarding those standards. Those are -- so I'm going to read those now. So this is regarding the
limitation of community and the purpose of the standard is to have you make a finding and reach a conclusion as to whether the proposed boundaries of the expanded city encompass a community.

So the regulation says that "to promote the limitation of community, the proposed expanded boundaries of the city" -- and this is the first part -- "must be on a scale suitable for city government and may include only that territory comprising an existing local community plus reasonably predictable growth, development, and public safety needs during the next ten years," to paraphrase slightly.

So essentially we need you to clarify your findings and your conclusion as to whether that standard was met. Maybe a more simple way to put it is: Will the expanded boundaries of Dillingham include only that territory comprising an existing local community plus reasonably predictable growth and development in the next ten years?

Again, it was not clear from the standard whether you believed that to be
let me go back to what you were asking.

We need two decisions, whether we have or have not met a standard --

MS. MASCALKA: Yes.

CHAIR CHRYSSTAL: -- or is there just one?

MS. MASCALKA: We need -- it's two pieces of --

CHAIR CHRYSSTAL: Of the same --

MS. MASCALKA: -- of the same subsection -- or paragraph in this case. So, 1, is it on a scale suitable for city development; and, 2, will the expanded boundaries of Dillingham, as you've amended them, include only that territory comprising an existing local community plus reasonably predictable growth and development in the next ten years?

CHAIR CHRYSSTAL: Okay. So that's the issue we have before us.

Have we or have we not met that standard -- or those standards? I happen to be a big believer in local control, so to me, anyway, having this annexation fairly large is not a bad deal. Local control is very,
very important to me, I know. At least when I was in city government, because local control does a better job of managing property and what have you than even the State could do.

So, anyway, what is your wishes on this?

COMMISSIONER WILSON: This is Commissioner Wilson here. I feel both standards have been met.

CHAIR CHRYSAL: Okay. Do we have any other Commissioner comments on that?

COMMISSIONER HARRINGTON: This is Harrington.

CHAIR CHRYSAL: Commissioner Harrington.

COMMISSIONER HARRINGTON: Well, assuming we have before us this petition and using the logic we used with former petitions, we have to say yes.

CHAIR CHRYSAL: Okay, Commissioner Harrington. Anybody else?

Commissioner Harcherek, do you feel that these standards were met?

COMMISSIONER HARCHAREK: Yes,
sir. I believe that the standards have been met.

CHAIR CHRYSALIS: Okay. Who are we missing here?

Commissioner Hargraves, do you feel the standards are met?

COMMISSIONER HARGRAVES: What's the purpose for interjecting that here at this point? We have a motion to approve this written document. We're not redoing our judgments on the standards, are we?

MS. MASCALKA: Right. You are not. You're clarifying -- this sounds very similar to the discussion you had on the first; but you're clarifying for staff whether you found that met. Right now we've heard three Commissioners in the affirmative. So that seems to verify the second location in the transcript where the Commissioners found that the standard was met.

It was just there was an ambiguity upon review of the transcript where the Commission said at one point it was not and then later said it was. So we're essentially asking you to clarify, which you
COMMISSIONER WILSON: Call for the question.


Can we have a roll call, please?

This is for the original motion to approve the written decision on Dillingham.

MR. WILLIAMS: Yes, Chair.

Commissioner Harrington.

COMMISSIONER HARRINGTON: No.

MR. WILLIAMS: Commissioner Harcharek.

COMMISSIONER HARCHAREK: Yes.

MR. WILLIAMS: Commissioner Hargraves.

COMMISSIONER HARGRAVES: Yes.

MR. WILLIAMS: Commissioner Wilson.

COMMISSIONER WILSON: Yes.

MR. WILLIAMS: Chair Chrystal.

CHAIR CRYSTAL: Yes. Okay. So the draft written decision is approved.

Are we done with that issue for right this moment?

Can anybody else think of
NUMBER OF DISTINCT SETNET PERMITS IN THE NUSHAGAK DISTRICT

[Locations: off of Clarks Point, on the Combine (East side by Nushagak Point and Queen Slough), Coffee Point (west side below Kanakanak) and in the Wood River (when open).

(Note: Includes emergency transfers)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>SETNET PERMITS - DILLINGHAM RESIDENTS</th>
<th>SETNET PERMITS - NON-DILLINGHAM RESIDENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. Permits</td>
<td>No. Landings</td>
</tr>
<tr>
<td>2000</td>
<td>80</td>
<td>5,786</td>
</tr>
<tr>
<td>2001</td>
<td>73</td>
<td>4,246</td>
</tr>
<tr>
<td>2002</td>
<td>59</td>
<td>2,447</td>
</tr>
<tr>
<td>2003</td>
<td>54</td>
<td>3,694</td>
</tr>
<tr>
<td>2004</td>
<td>52</td>
<td>3,737</td>
</tr>
<tr>
<td>2005</td>
<td>54</td>
<td>4,428</td>
</tr>
<tr>
<td>2006</td>
<td>62</td>
<td>5,370</td>
</tr>
<tr>
<td>2007</td>
<td>67</td>
<td>3,915</td>
</tr>
<tr>
<td>2008</td>
<td>63</td>
<td>3,463</td>
</tr>
<tr>
<td>2009</td>
<td>61</td>
<td>4,849</td>
</tr>
<tr>
<td>2010</td>
<td>64</td>
<td>5,586</td>
</tr>
<tr>
<td>2011</td>
<td>65</td>
<td>4,479</td>
</tr>
<tr>
<td>2012</td>
<td>66</td>
<td>4,538</td>
</tr>
<tr>
<td>2013</td>
<td>72</td>
<td>4,951</td>
</tr>
</tbody>
</table>

SOURCE: J. Barrett, Dillingham Harbormaster

(4) FEASIBILITY AND PLAUSIBILITY OF THOSE ASPECTS OF THE CITY’S ANTICIPATED OPERATING AND CAPITAL BUDGETS THAT WOULD BE AFFECTED BY THE ANNEXATION THROUGH THE PERIOD EXTENDING ONE FULL FISCAL YEAR BEYOND THE REASONABLY ANTICIPATED DATE FOR COMPLETION OF THE TRANSITION SET OUT IN 3 AAC 110.900;

Please see Exhibits C-1 and C-2. No difficulties are anticipated.

(5) ECONOMIC BASE OF THE TERRITORY WITHIN THE CITY AFTER ANNEXATION;

The economic base within the City after annexation will be the harvest, processing and support of commercial fisheries and Dillingham’s place as a regional service hub for western Bristol Bay.

(6) VALUATIONS OF TAXABLE PROPERTY IN THE TERRITORY PROPOSED FOR ANNEXATION;

There is no taxable real or personal property in the territory proposed for annexation.

(7) LAND USE IN THE TERRITORY PROPOSED FOR ANNEXATION;

"Land" use in the territory proposed for annexation is commercial fish harvesting, sale, transfer, support and processing.
<table>
<thead>
<tr>
<th>2014 City</th>
<th>Industry</th>
<th>Number of Fishermen Who Filed</th>
<th>Totals Pounds Landed</th>
<th>Estimated Gross Earnings 2014 per Fisherman Who Filed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Muskeget Set Nettors Fishing Bristol Bay</td>
<td>S047</td>
<td>26</td>
<td>1,503,451</td>
<td>2,687,826</td>
</tr>
<tr>
<td>Dillingham set Nettors Fishing Bristol Bay</td>
<td>S047</td>
<td>26</td>
<td>2,600,480</td>
<td>3,701,553</td>
</tr>
<tr>
<td>Clark Point set Nettors Fishing Bristol Bay</td>
<td>S047</td>
<td>4</td>
<td>113,467</td>
<td>112,377</td>
</tr>
<tr>
<td>Algonac set Nettors Fishing Bristol Bay</td>
<td>S047</td>
<td>4</td>
<td>97,628</td>
<td>112,322</td>
</tr>
<tr>
<td>New Havenset Nettors Fishing Bristol Bay</td>
<td>S047</td>
<td>2</td>
<td>47</td>
<td>11</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fishery Group</th>
<th>Fishery Code</th>
<th>Number of Permit Holders</th>
<th>Number of Permits Issued</th>
<th>Number of Fishermen Who Fished</th>
<th>Number of Permits Fished</th>
<th>Total Pounds Landed</th>
<th>Estimated Gross Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Herring</td>
<td>G 34T</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>G 34W</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>L 12T</td>
<td>43</td>
<td>43</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Group Total</td>
<td>45</td>
<td>47</td>
<td>1</td>
<td>1</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Salmon</td>
<td>S 03T</td>
<td>26</td>
<td>26</td>
<td>21</td>
<td>21</td>
<td>839,220</td>
<td>995,593</td>
</tr>
<tr>
<td></td>
<td>S 04T</td>
<td>38</td>
<td>38</td>
<td>36</td>
<td>36</td>
<td>1,582,431</td>
<td>2,067,602</td>
</tr>
<tr>
<td></td>
<td>Group Total</td>
<td>64</td>
<td>64</td>
<td>57</td>
<td>57</td>
<td>2,421,651</td>
<td>3,063,195</td>
</tr>
<tr>
<td>All Fisheries Combined</td>
<td>Group Total</td>
<td>92</td>
<td>111</td>
<td>57</td>
<td>58</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>
water and 0.41 square miles of land (Sheep island and small island to north), together totaling
399.08 square miles of which 395.84 (99.2%) is water.

SECTION 6. REASONS FOR THE PROPOSED BOUNDARY CHANGES. 3 AAC 110.420
(b)(6).

The City Incorporates by reference all information contained in Section 6 of the petition
submitted June 14, 2010 as corrected by the City’s errata dated September 21, 2010. For the
convenience of the Commission this material is in full below, with supplemental material in
bold italics inserted into the original June 14, 2010 narrative.

The reason for the proposed boundary change is to more fairly distribute the costs for
providing, operating, and maintaining the public facilities and services supporting commercial
fishing in Nushagak Bay. Currently, a significant number of non-residents receive the benefit
of these services that directly assist them in their fishing business without contributing
equitably to operation and maintenance of the city services and facilities. As an example, in
the Dillingham Harbor in 2013 and 2014, 57-56 percent (respective years) of the vessels
belong to people who are not Dillingham residents (this includes both skiffs and commercial
fishing vessels). While everyone pays harbor use fees, this revenue does not equal the city’s
costs for operating and maintaining the services and infrastructure Dillingham provides to the
fleet and related processors. For example, in 2013, $75,000 was transferred from the Dock
Special Revenue Fund to harbors to make up the difference between harbor fees and revenue.

<table>
<thead>
<tr>
<th>2014 Dillingham City Harbor Permits</th>
<th>All Harbor Permits</th>
<th>Transient Moorage</th>
<th>Total</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dillingham resident</td>
<td>252</td>
<td>0</td>
<td>252</td>
<td>44%</td>
</tr>
<tr>
<td>Local Villages resident</td>
<td>34</td>
<td>4</td>
<td>38</td>
<td>7%</td>
</tr>
<tr>
<td>Other Alaskan resident</td>
<td>95</td>
<td>10</td>
<td>105</td>
<td>19%</td>
</tr>
<tr>
<td>Out of State resident</td>
<td>164</td>
<td>7</td>
<td>171</td>
<td>30%</td>
</tr>
<tr>
<td>Out of Country resident</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>(Negligible)</td>
</tr>
<tr>
<td>Total</td>
<td>547</td>
<td>21</td>
<td>568</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Dillingham Harbors

Like most places in Bristol Bay, fishery resources and the commercial fishing and seafood
processing industries are the backbone of Dillingham’s economy and integral to many residents’
livelihoods and way of life. Dillingham, with its population of about 2,350 2,431 (ADOLWD, July
2014), is the economic, transportation and public service center for western Bristol Bay. The
region’s hospital, airport, University campus, public boat harbor, all-tide dock, boat launches, its
regional health, housing, community development quota (CDQ), Native for and not-for profit
organizations, and more are all located in Dillingham.

The City of Dillingham’s population is estimated at times to almost double during the peak
fisheries months of May through August as summer residents or visitors come to town to
LOCAL BOUNDARY COMMISSION
PUBLIC HEARING

November 29, 2016
11:00 a.m.

Taken at:
Dillingham, Alaska

Commissioners Attending:
Commissioner Lynn Chrystal, Chairman
Commissioner Darroll Hargraves
Commissioner John Harrington (via telephone)
Commissioner Robert Harcharek (via telephone)
Commissioner Lavell Wilson

Staff attending:
Brent Williams (via telephone)
Eileen Collins
three -- three employees at the dock, seasonal
workers. They work from April until the end of
October. Pretty small staff for as much stuff as
we actually have going on.

I'd like to start off today by
talking about who we serve and what we offer at
the harbor. Dillingham's small boat harbor is the
base of operations for the largest salmon fishery
on earth. We host anywhere between upwards of 400
to 600 boats each salmon season.

We have room for 400-plus 32-foot
commercial Bristol Bay drift boats, and also 20 to
30 setnets skiffs. There's approximately 200 feet
of bulkhead on the north side of the harbor, which
is where we put all the oversized vessels.
Sometimes up to 90 and a hundred foot long
vessels.

We have two usable launch ramps,
one is at the south end of the harbor. This is
where the majority of the locals' stored vessels
in Dillingham to launch from. And one up in the
north side in the creek, which is used mostly for
recreation and commercial skiffs.

Our bulkhead, we have a
14,000-pound crane that we use mainly for loading
and unloading of fishing-related items, such as
nets, reels, whatever the -- you know, we've put
up -- put masts on boats, that type of stuff.
Camp materials for the setnetters who fish the --
the Nushagak, (indiscernible), Sacombine (ph),
Coffee Point, Igushik, Clark's Point to Ekuk.

And also we -- we offer crane
services for those who market their own fish
outside of Dillingham.

Chrissy (ph), if you could put up
slide number three. This is information we got
from the commercial fisheries entry commission,
and this shows setnet permits in the -- Dillingham
residents from the years 2000 to 2013. And -- and
it gives permits and landings and -- and poundage
for those years.

We have a 20-ton ice machine for
those that could need to ice their fish. This
adds values to the fish, so it's -- it's an
important part of the fisheries.

For instance, some of the
setnetters will ice up prior to heading out.
Halibut fleet -- excuse me, the halibut fleet is
our biggest customer. And the halibut fisheries
is -- is growing in this area. And we do get the
occasional drift boat that will -- that will ice
up before they go out.

Because we remove our ramps each
fall, we do not have electricity. We do, however,
have potable water; and -- and that's on several
places on both ramps. We have a south ramp and
a -- what we call an east ramp.

There are public rest rooms located
at the north end of the harbor and coin-operated
showers available for the fisherman. The City
offers refuge service to those who use our harbor.
We have a -- an annual budget of $11,000 at the
harbor and have up to five dumpsters within the
harbor each summer.

The City has waste oil collection
sites at the harbor. The waste oil collection is
important for the City because it helps the City
of Dillingham public works department heat their
shop in the wintertime, helps them keep their
operating costs low.

We have a glass only collection
dumpster collect -- located in the harbor to help
keep unwanted glass out of the trash that goes
into our incinerator at the landfill. The glass
does not break down, it melts, creates a lot of
problems with our incinerator; so we -- we have a separate bin for that.

We have lease lots within the harbor. NAPA Auto Parts was our first customer. They have been located there for more than four years, and it's very convenient for the -- the fishermen that use our harbor to have a parts store right there.

Motive Power Marine, a locally-owned vessel repair company is in the process of building a large shop within the harbor. I believe it's somewhere between 60 and 120, somewhere around that footprint. They're looking to accommodate fishing boats, not only during the fishing season, but year-round. They're looking at -- do a little -- little more work in the -- in the wintertime.

In the last year we've added three more renters. A coffee shop, a chiropractic office, and a small freezer facility. Along with these we have donated property for a nonprofit organization called SeaShare.

They're in partnership with BBNA food bank and have a 20-foot freezer container, which holds processed by-catch. And they dole
that out to local families. Not only from Dillingham, but also in the surrounding area, BBNA's coverage area.

They -- they also benefit from donations from the local fish processors. We currently have requested property use pending, a refrigeration business is looking for a place to set up shop; and also a couple of food stands. These would all be seasonal and would probably be going into place this spring.

Dillingham's small boat harbor is unique when compared to other harbors. We are at the mercy of the tides, during the busy salmon season when the boats are trying to come and go to the fishing grounds -- and at the mercy of the ice in the winter months when we have to remove all of our floats to keep them from getting damaged.

Chrissy has some exhibits, 9, 10, and 11. Whittier small boat harbor, you can see right there you have a breakwater; and I'll be talking about a breakwater for us maybe a little bit later. They have floats that stay in the water year-round, where we don't have that.

Next. This is Seward. And Seward's quite a bit bigger than us, they have a
breakwater coming into their harbor keeping their
boats resting easy instead of bouncing in the
waves like ours do. They also have a cargo dock
over here.

This -- go ahead -- this is
Cordova, and they have a very nice breakwater
here. Nice finger floats, and they have power on
each one of these. They have some rafting going
on over here. Their cargo facility is, I don't
believe, in this picture. But they have similar
to us, they do get ferries there also.

The City of Dillingham continues to
have on its capital improvements project list,
harbor event and then break wall. We'd like to
have a breakwater out in the front of the harbor
to help with issues we're having within.

Estimated costs for this project is
$21,500,000. That's -- that's the estimate from
the U.S. Army Corps of Engineers.

The project would spare both the
moored fleet within the harbor basin -- and maybe
if we -- go back to that first, Chrissy, that we
see -- (indiscernible) -- the one on the --
Exhibit 1 in there, page 1.

CHRIS: Sorry.
MR. BARRETT: It's okay. I'll keep on yammering here while you're finding that. But the project would spare both the moored fleet within the harbor basin and from the predominant southwest winds that we get.

I've seen 5-foot swells within the harbor and boats bouncing off each other. And I've been out there, helped getting them back in -- into place, moving skiffs with my skiff. It's -- it can get pretty rough in there; there's a direct chute straight up the Nushagak right into our harbor, and it comes from out there over here right into our harbor.

And if this was -- if we were this full with a southwest wind, it would not only get very loud, it would get very dangerous. Boats would be breaking lines.

A lot of times when we get a wind, boats will run up the creek, which is -- would be towards where I'm at from this picture; and they -- they get out of the wind. But there's only a certain amount of space, and then they can't fit very many. And then they're at the mercy of the up and down tides with not being able to get back and forth to land.
The erosion -- if we -- if we took all those bolts out of here and still had those kinds of winds, in this area over here we have -- which is the northeast corner of the harbor, we have heavy erosion going on.

They're -- the Exhibits 13, 14, and 15 and 16, Chrissy -- well, this is up here on the -- the Snake Point bulkhead, which runs up above us upriver. The bulkhead has been there for probably a dozen years --

MAYOR RUBY: Uh-huh.

MR. BARRETT: -- we have lost a lot of material in front of the -- the bulkhead. This line right here is a abandoned sewer line that has been uncovered that was dug in probably 8 feet below the beach level when it was in -- installed.

Go ahead, next. This is another -- another picture of that line. This line, like I said, has been abandoned. It now runs underground underneath Dillingham up to the sewer (indiscernible).

Next. This is something that I had to do to save our electrical line, which runs right about a foot above this level here. I -- I put gravel in there, and I had some old ramp
planks that I put in place to help with the -- the
wave action in this corner. This is the northwest
corner that would get so much of our wave action
too.

We were less than a foot away from
exposing our electrical line that ran power down
to our south end and all of our east and all of
our lights in the harbor.

Next. And this is just -- just
south of that last picture. This is -- this is
how it erodes (indiscernible). It erodes from
underneath. This -- this part falls off, and then
it continues to dig itself in.

Let's see, where is it? So
comparing to other -- other harbors and ports, we
have an antiquated float system 30 to 35 years
old. I haven't found anyone that told me the
exact date where it rests, maybe from different
people that we've talked to.

Each year before the floats are put
in the water for the past five years, I've been
painting the bottom of the floats with a rubber
compound to help create a glove, of sorts, to keep
the water from seeping through the -- the
deteriorated metal.
And it's a fix now, it's a Band-Aid. I'm not sure how much longer it's going to work. The metal's getting awful thin, the patches are starting to come apart.

Replacement value of our -- of a new float system to hold the boats that we -- we have in our harbor, somewhere between 2- and $3 million to replace our float systems.

We've looked -- the City's looked at a fish grinding station, but -- and this would help in several ways. It would help dispose of the subsistence caught fish remains; guts, heads, tails, whatever's not edible. I shouldn't say "heads," because a lot of people eat the heads, so --

But we're looking to -- to eliminate a container located at the City dump, which is a -- is a bear attractant; it's a very messy job. The container has to be -- the fish guts have to be dumped into the container and hauled back and buried to be -- I know that at one time last summer the public works director went out there at night in the dark and cleaned up fish scraps from out in front of the container just to keep the bears from digging through it.
A fish grinding station would minimize the waste and pump it out into the channel below low mean tide. We have estimates to build this fish grinder at about 500- to $750,000, depending on where and how much we would want.

These are just a couple examples of our wants, things that we'd like to have that other harbors have. Like I said, we're -- we're unique; we're not quite -- we're different than a lot of year-round harbors.

As I mentioned previously, we have had more than 500 vessels in the harbor at one time. To help offset the operating costs, we sell harbor stickers to the vessels.

Harbor stickers for a Bristol Bay drift vessel currently is $280 for the season, that means you can put in the water as soon as you want to and you have to take it out on -- I guess when you want to also; but I'd take it off before the ice formed around it.

I pull my floats out sometimes towards the end of September usually, and I usually put them in about the 15th of May. And it's not a -- it's laborious, but it's not -- you know, it's doable.
We -- we upped the harbor sticker price from $240 to $280 in 2015. Exhibit 11, this shows harbor permits and moorage, local villages, Alaska residents, State residents, and their percentages; out of the country stickers. And this was for 2014.

I have some examples from -- from the last two years. I'll give you 2015 first. We had 302 seasonal vessels stickered, that gave us -- brought us in $84,560. 63 of these were trans -- or 63 were transient moorages, which brought in $10,000. 148 skiff stickers brought in a total of $11,848.

Of these sales we sold 206 to Dillinghamers, 41 to local villages; including Aleknagik at 8, Clark's Point with 2, Ekwok with 1, Koliganek with 11, Manokotak with 7, Nushagak with 9, and Togiak with 4.

129 stickers were sold out of state -- I'm sorry, were Alaska towns and villages; and 14 -- it was up from 95 to 195, I'm sorry. Outside of Alaska were 2, and that stayed pretty much the same.

In 2016 the numbers were 269 for seasonal vessels stickers, a total of 75,320.
However, the fishermen do take advantage of our facilities in Dillingham. They lunch and haul their vessels out here, move supplies, and load vehicles on to barges to transport to the beach for their fishing operations.

We'll move on to the dock now. The City of Dillingham handles a majority of the incoming and outgoing freight for the Dillingham and surrounding areas. It's a point of delivery for almost all of the outgoing salmon that is caught in Nushagak.

And I say "almost all," because some of the fish caught in Nushagak Bay is -- in the last two years have been being marketed in fish -- sent out by via airplane.

Almost all the freight in the surrounding villages comes across our dock for this -- either sent up -- out on the smaller barge or -- or in the case of Aleknagik, trucked up.

And somewhere there's -- in the last couple years it's been with the bridge project brought up on the -- on the water also, the river.

In 2005 we moved freight for --
1.8 million pounds for Aleknagik; 2.25 million pounds for Ekwok, both of these villages had bridge projects going on, so that's why their weights were so high. Koliganek, 1.1 million pounds; Manokotak, 216,000 pounds, Togiak, 366,000 pounds.

The City of Dillingham offers not only containers, cargo shipping and receiving, but also beach access for landing crafts or barges that need to drive machinery on and off.

At the dock we have potable water. Large amounts carry a price, and they're based on availability. And we -- we have sold water to, not (indiscernible) the barges and tugs, but also to BBEDC for their -- their ice barges.

We have refuse service down there also. There are two containers down there, their budget is about $5,000. We also have a hook-up for the underground fuel lines that supplies Nushagak Cooperatives. Nushagak Cooperatives fuel tanks and Nushagak Cooperative supplies power for Dillingham and Aleknagik.

Last year our 49-year-old Manitowoc Crane had a major breakdown, and this is the -- the third one since I've worked for the City. The
third -- third major repair, I'm sorry. Repairs
would have been close to $300,000. For a
49-year-old crane, that was a lot of money.
So the City council director and me
looked for a replacement. We had several
different options. The crane that we thought was
going to give us the best bang for our buck was a
brand-new 2016 Link-Belt at a price of
$1.5 million landed in Dillingham.

We decided to go with a newer one
and get a longer -- longer life span out of it
rather than go with a '82 model and maybe get 17,
18, 20 years out of it. We weren't sure.

$300,000 was taken out of the port
enterprise fund for the down payment, and we'll be
making annual payments of $131,000 for the crane.
This will -- and this is a -- a very large bite
out of the City's annual revenues and reserves.

Because of the nature of our
equipment on the dock, large forklifts and cranes,
we need yearly inspection to keep them running and
inspected for any inconsistencies; insurance
reasons right at the top of the list.

In FY17 we budgeted $7,000 for
maintenance and operation maintenance and repair
advantage of lower market interest rates. Well, pretty much we assumed 2016 Series A general obligation refunding bonds. So to take advantage of low interest rates, we refunded the current (indiscernible) bonds that we had.

This is expected to save this City somewhere (indiscernible) -- the -- the length of the -- the length -- the term of the bond, approximately $1 million.

In fiscal year '16 and prior years, the State of Alaska has reimbursed the City for 70 percent of principal and interest payments made on its bond issue. That's fiscal year '16 and prior.

Beginning in fiscal year '17, the State has reduced its reimbursement of 52.5 percent. So it was 70, and now it's back down to 52.5. The impact of this decrease in fiscal year '17 through the maturity of the general obligation refunding bonds and maturity in 2027 would be an increase in City expense from 3.8 million to 6 million when -- increase of $2.2 million.

The impact of this increase in fiscal year '17 alone is an increase in City
expense from 284,000 to 451,000, an increase of $166,000.

This increase is not included in the original fiscal year '17 budget. If you recall, I mentioned that the fiscal year '17 budget had a deficit of $501,000.

Not incorporating this added expense that the City needs to encounter for the bond payments, we're looking at a deficit of $667,000 deficit. This is in fiscal year '17.

Budget deficits in this range are expected over the next couple years.

I thought I should mention, since we're talking about long-term liabilities here, I should acknowledge that the City's net pension liability is $2.8 million as of 6/30/15.

The City finance committee spent a considerable amount of time looking at a fiscal year '17 budget and hours were spent trying to find ways to reduce expense without affecting City services. In the end, the fiscal year '17 budget was approved; and obviously, like I've mentioned a couple times before, $501,000 deficit.

Department heads now have the challenge of providing the same service to the
community given their department budget constraints.

Okay. So let's talk options. I mean, obviously the City has some options here. Increasing taxes within the City will always be an option. The City of Dillingham, however, currently has a property tax rate of 13 mills and a general sales tax rate of 6 percent.

But with these rates, however, are currently among the highest of all the municipalities across the state. I think the Mayor may have mentioned this earlier.

Increased taxes would increase the cost of living in the City where it's already quite expensive and would pose a challenge to low and middle class families living here.

The idea of increasing City fees to combat the deficit has been brought up, so I'd like to touch on that too.

For fiscal year '17, the landfill is expected to generate revenues of $140,000 for the City. Now, considered independently and assuming the volume of activity remains unchanged, the landfill fees would need to be quintupled, that's increased five times, in order to cover a
$700,000 deficit.

For fiscal year '17, dock is expected -- the dock is expected to generate revenues of $645,000 for the City. Once again, considered independently and assuming volume of -- consider it remains unchanged, the dock fees will need to be more than doubled in order to cover a $700,000 deficit.

Realist -- realistically, as fees increased, we would expect that customer activity is expected to decrease. Customers would obviously find alternatives (indiscernible) the landfill and shipping their goods to (indiscernible).

MS. COLLINS: That's someone's hold music. I'm sorry. I mean, there's nothing we can do about it. The person's on hold.

MR. WILLIAMS: Hello?

CHAIRMAN CHRYSAL: Hello, you're interrupting a teleconference.

MS. COLLINS: No, no, that's Brent.

CHAIRMAN CHRYSAL: Oh, is that Brent?

MS. COLLINS: The person is hold --

CHAIRMAN CHRYSAL: Okay. Well, it
quit now.

MS. COLLINS: -- put the music on.
CHAIRMAN CHRYSRALT: Okay.

MS. COLLINS: It's not interrupting your time.

MR. BISSRAM: What I would say in closing, continued budget deficits will mean this City will have to draw down on its fund balance to cover the cost of providing City services. The City can't continue to operate by depleting its fund balance.

At some point the City will have to consider reducing or totally eliminating certain City services offered to the public until some new revenue source is obtained. In addition, the City has a capital improvement plan of approximately $27 million that will need to be addressed in the future.

I'm open to answering any questions that you may have.

CHAIRMAN CHRYSRALT: I have a question.

MR. BISSRAM: Yes.

CHAIRMAN CHRYSRALT: Excuse my ignorance, but I thought that you were -- under
The education I received here in Dillingham prepared me for the larger world and gave me a sense of civic duty. I've been on many boards in the community, including the Beaver Round-up Festival Association, the Dillingham Snowmobile Association, the Dillingham Volunteer Fire and Rescue Department, our booster organization, the Dillingham City council, and now I'm currently a City council member.

Right now there are three public schools managed by the Dillingham City School District. We serve over 500 students from prekindergarten to high school.

We currently have students that would be enrolled in Clark's Point School and Koliganek School attending school in Dillingham to be able to either participate in basketball or volleyball or -- and the school in Clark's Point is actually closed, so there's no option for schooling there anymore. They have to go somewhere. Sorry.

CHAIRMAN CHRYSTAL: We're not scary, you can relax. My grandson goes to Colony, so don't say any bad things about Colony.

MS. SAVO: Oh, I love it, my
also operate five frontline apparatus or fire
trucks to respond to fires around or outside of
our City limits.

Although our department is a branch
of the City of Dillingham and most of our
volunteers live in the Dillingham area, we respond
to calls that support the entire southwest region.
Oftentimes we provide assistance and patient
transport to and from the airport and also the
hospital when patients are medevaced from
surrounding villages.

When transportation is requested
for a medical transport, the bill goes directly to
the patient; it doesn't go anywhere -- they --
there was a -- I'm sorry, it was a typo in here
the chief had brought up -- when transportation
is requested for a medical transport, the bill
goes to the patient or their insurance through a
third-party billing company. We don't directly
have hands-on with the billing with the patients.

Our team also responds to
emergencies outside of Dillingham City limits,
along with Aleknagik Lake Road up to and into the
City of Aleknagik.

Between January 1st and
November 23rd of this year, the Dillingham Volunteer Fire Department has responded to 192 calls in total.

Of those 22 calls -- of those calls, 22 are medevaced transport -- medical transport, excuse me, 4 medevacs. There were 11 traffic accidents, which included responding to 5 accidents on the Aleknagik Lake Road; outside of the Dillingham City limits and outside of Aleknagik City limits.

In total, we have spent 107 man hours on fire calls within our City limits since January 1st.

If a patient refuses care from our ambulance service, we do not bill them for our -- our response. The same goes for response outside of our -- our City limits.

Once a patient consents to care with our ambulance service, we bill for the level of care given; advanced life support or basic life support, and per mile while the patient is in back of the ambulance.

A big percentage of the billed responses do not get paid. When this happens, we have a third-party collection agency that pursues
payments for the response that our -- the bill
that was given to a patient, and that is all.

CHAIRMAN CHRYSAL: Thank you,

Mr. Tinker.

MR. TINKER: Yes, sir.

CHAIRMAN CHRYSAL: Questions?

Questions?

COMMISSIONER WILSON: The only
one -- it was interesting you said you have a
little trouble getting paid for the -- that's
curious because we have the same problem in Tok.
It looks like it's pretty general.

MR. TINKER: Yes.

CHAIRMAN CHRYSAL: Oh, yeah.

COMMISSIONER WILSON: Yeah.

CHAIRMAN CHRYSAL: We did in
Valdez too.

MR. TINKER: Yeah, it's
(indiscernible) sometimes.

CHAIRMAN CHRYSAL: Yeah. Any
questions from the other Commissioners on the
phone?

COMMISSIONER HARRINGTON: No.

COMMISSIONER HARCHAREK: No.

CHAIRMAN CHRYSAL: Okay. Thank
agencies, health and social services, the regional
hospital, public safety and transportation
services are based in this community.

Dillingham's regional airport has
year-round passenger and cargo jet service.
Dillingham's port provides containerized and large
vessel -- or enlarged item freight service into
and out of Dillingham.

Dillingham has a resident
population of approximately 2,400 people, the
population soars during the commercial fishing
season. And being the hub community during the
Nushagak River commercial fishing season, it
greatly increases our calls for police and EMS
services.

Okay. The Dillingham Department of
Public Safety, the police department, provides
police, dispatch, corrections, DMV, and animal
control services to the community of Dillingham.

DPD doesn't strictly work for
Dillingham residents, but we interact with other
agencies in the community that affect the region
as a whole.

We work closely with Alaska State
Troopers, the Bristol Bay Area Health Corporation,
Behavioral Health, the SAFE domestic violence shelter, sexual assault response team, child advocacy center, District Attorney's Office, adult probation, Division of Juvenile Justice, and the Alaska Court System. Many of the services provided by DPD are done on a regional basis and extend beyond the City's boundaries.

For instance, dispatch. As the only 24-hour-a-day public safety dispatch in the region, DPD is frequently the initial point of contact for regional law enforcement services; emergency medical services and search and rescue operations in the region.

The City -- we used to have a paid dispatching contract with Alaska State Troopers; well, we no longer receive that State fund.

So that means it's -- up until this summer, pretty much everywhere in Bristol Bay when they called for the troopers or law enforcement after hours in the regions, Dillingham police answered the phone; and we dispatched and helped out all those communities and all those people that needed help. We got them the help that they need.

Okay. But we don't have that
contract anymore, okay. So now all costs of
dispatching services that Dillingham provides to
the regional villages and fisheries comes directly
out of City (indiscernible). Okay.

Dispatchers spend about five
percent of their time handling calls for service
to areas and communities outside of Dillingham.
911 still rings into dispatch; Aleknagik needs an
ambulance, they need something, they pick up the
phone; the City of Dillingham's answering their
calls. Okay. And we get people that can help
them to help them, okay.

So we spend about five percent of
our time, that amounts to a cost to the City of
Dillingham, based on this year's budget, of about
$23,500 a year helping other communities in the
region.

The jail -- this is important for
everybody -- Dillingham Community Jail is the
place where all of the prisoners in the region are
held. Okay. The villages serviced are Manokotak,
Togiak, Clark's Point, Ekuk, Portage Creek, Ekwok,
New Stuyahok, Koliganek, and Aleknagik.
Okay. Dillingham police, we arrest
about half the total prisoners held in the jail,
okay. The remaining 46 percent of those prisoners were arrested in other communities in the region. Not Dillingham, other communities.

The jail also holds persons that -- taken into Title 47 protective custody, sleep off. Approximately 49 percent of the persons held in protective custody are persons that don't live in Dillingham that come here, and they reside in the surrounding communities in the region.

The City of Dillingham has a community jail contract with the State of Alaska. The State pays us to run the jail. Okay. The State funding has been reduced through the years from 641,000 down to 527,000, and it may be in danger of being cut further with the decreasing State budgets.

The State contract funding does not cover the full cost of running the jail. Okay. The City of Dillingham currently subsidizes 12 percent of the jail cost, approximately $90,000 a year. This is how much it costs to run the jail, that's how much the State pays us; the City of Dillingham's got to kick in the rest.

As City finances deteriorate, a possible cost saving for the City would be to no
division call volume represents a cost to the City
of Dillingham, based on this year's budget, of
approximately $65,000 a year.

During the commercial fishing
season, the need for police service greatly
increases. During the summer months our police
call volume increased by 45 percent. Our calls in
the commercial fishery-related areas increased
from an average of 8 percent of our total calls to
17 percent of our total calls.

Most fish-related calls involve
assaulted, threats, boat burglaries, and
essentially alcohol-related incidents. Most
public safety calls for service in the an -- the
proposed annex waterways involve violations of
ADF&G fishing regulations. Okay. Disputes
between (indiscernible) permit holders, setnet
lease sites, and different fish and gear
conflicts.

These calls, they're the
responsibility of the Alaska Wildlife Troopers.
Okay. Search and rescue response in the annex
waterways would be the responsibility of the
Alaska State Troopers per statutory mandate
18.60.120. Any major vessel rescues in rough or
dangerous waters fall in the purview of the U.S.
Coast Guard, it's their job.

During the active annexation period, which was the summer 2013 when we used to have annexation -- now we don't -- and when DPD handled the police calls in the waterways, we only had three calls. Only two of which required an immediate response that we go out there.

Okay. The other call, which is typical of waterways calls, involved a past offense. And that can be investigated by -- meaning the offense that's already happened, it's over with -- and that can be investigated by having the involved parties come to the police station.

The incidents we did respond to, we responded with the assistance of the Alaska State Troopers and the Alaska Wildlife Troopers in one of their patrol vessels. AWT assistance was required because they possess boating experience, have larger vessels.

The Dillingham police, we have a good working relationship with the Alaska State Troopers. The two agencies, we frequently back each other up on calls and provide assistance to
each other when requested.

   And contrary to belief, the City of Dillingham does have its own harbor boat. It's a large, aluminum setnet skiff, similar to vessels used by Nushagak setnetters and others.

   The boat can and has been used to respond to public safety calls in the absence of State trooper availability. The harbormaster, you met him over there, Jean-o, he has vast experience with vessel operation.

   A majority of DPD officers have completed a motorboat operator course, which was put on by the local U.S. Fish & Wildlife Service.

   Okay. They're even -- come and attend next week the VPSO regional training, some cold water survival trainings.

   Okay. The DMV -- this is important -- the City of Dillingham runs the Division of Motor Vehicles' contract office. This is also done under contract with the City. This office, it's heavily used by residents of Dillingham, as well as residents from the surrounding communities and persons engaged in the commercial fishery.

   The DMV averages approximately
1,300 vehicle registrations and titles, approximately 2,500 driver's license and ID cards per year. During the fishing season, hundreds of ID cards, vehicle, and boat registrations were processed.

Everybody need to come in the last minute to get their stuff done so they can be legal so the Alaska Wildlife Troopers don't write them expensive tickets.

Okay. The State contract allows the City of Dillingham to keep a percentage of the revenues collected, okay. The revenues collected amount to less than half the cost of running the State DMV service for the region. This is how much it costs us, that's how much revenues we get. The City of Dillingham, subsidizing the cost of the State's business.

Okay. The City would shorten the hours of operation to reflect the revenues generated, and it greatly impacted customer wait time. It often created a crisis for persons needing documentation for commercial fishery activity.

Sometimes we close the door, we ran out of time, people waited for hours, and they got
to come back the next day. Okay. Instead of
getting their vessels ready, they're -- they're
waiting in line at the DMV.

Okay. In order to attract and keep
an employee, the City had to create additional
responsibilities for the agent, which is paid out
of the City (indiscernible). Going to be
hard-pressed to find somebody to work part time
with no benefits, so we had to create other
things. And the City's got to pay a lot of money
to do that.

In order to keep the City -- the
office open, the City of Dillingham subsidizes the
offset of cost of approximately -- this year's
budget -- $50,000 a year.

As City finances deteriorate,
possible cost saving would be to no longer provide
the State DMV services to the region. Okay. So
the City of Dillingham would just shut it down.

The people want to get their boat
registered, want to get their IDs and they needed
to fish, they should have done that in Anchorage
because they're not getting it done here in
Dillingham. We shut the office down if we can't
afford it.
yourself or personnel out to another village to
pick up people; or do you do any kind of police
activity outside of your borough -- or outside of
your City limits?

CHIEF PASQUARIELLO: Are you
referring to people coming into our jail?

COMMISSIONER HARGRAVES: Well, what
if they were a shooting two miles off of your
border City limits, would you participate in
collecting evidence or -- would you go outside
the --

CHIEF PASQUARIELLO: Yeah, am I
glad you asked that question. Just recently, it
made the news, there was a vehicle chase to
Aleknagik twice. We were there, the State
troopers were there. There was a trooper involved
shooting, and we actually handled the case. AST
investigated their administrative portion --

COMMISSIONER HARGRAVES: And that
was outside of your City limits?

CHIEF PASQUARIELLO: That was in
the City of Aleknagik. We frequently go outside
--

COMMISSIONER HARGRAVES: When that
kind of thing --
CHIEF PASQUARIELLO: -- the limits
to help on ambulance calls. There's always
vehicle crashes out there; it's kind of a no-man's
land between Dillingham and Aleknagik. EMTs go
out there; the Dillingham Volunteer Rescue Squad,
which coincidentally, if you're medevaced pretty
much to Dillingham from anywhere in the
surrounding communities, the Dillingham Volunteer
Rescue Squad resources are going to transport you
to the hospital.

COMMISSIONER HARGRAVES: But that's
a volunteer --

CHIEF PASQUARIELLO: Yeah.

COMMISSIONER HARGRAVES: --

activity?

CHIEF PASQUARIELLO: But it still
costs the City money too.

COMMISSIONER HARGRAVES: But if
you -- if you had a -- something happen three
miles off the coast here, say there's a fishing
boat shooting on -- or some crime committed, would
you get involved in that?

CHIEF PASQUARIELLO: If we're
requested to by AST. We've backed up AST on the
Aleknagik road many times when (indiscernible) --
COMMISSIONER HARGRAVES: Well, then wouldn't they reimburse the City or pay the City anything?

CHIEF PASQUARIELLO: No, they don't. And as the time I mentioned a long time before I became the chief, I was in essentially the MAUT (ph) unit, which was responsible for, like, drug enforcement here in Dillingham, yet -- drug and alcohol enforcement throughout the entire region.

So I -- I personally went to Naknek to work cases, Manokotak, Togiak, other villages in the region. And the City of Dillingham was essentially spending their resources, my salary, to help keep places like Manokotak alcohol and drug fee. And if we're requested to assist the troopers on a call, yes, we will.

CHAIRMAN CHRYSAL: Anything else?

Anything? Any questions from the Commissioners on the phone?

COMMISSIONER HARRINGTON: No.

CHAIRMAN CHRYSAL: Okay.

COMMISSIONER HARCHAREK: No.

CHAIRMAN CHRYSAL: You know, as an almost 40-year resident of Valdez with the fluxes
impact programs in place, but we -- we can't
continue to do that.

We must continue providing services
for the fishing industry, but with reduced
revenues we will be forced to make cuts to other
City services. Everything from schools, senior
services, public safety, and all other programs.

Although the staff report states in
several places that fiscal resolution is just a
matter of raising user fees; as most of you know,
it's not that simple.

Another alternative presented is
that the City just eliminate some services to the
harbor if fees cannot be collected to cover
expenses. But imagine if you can, the alternative
of eliminating trash removal or -- or -- or other
services that would provide for the harbor.

Another example, how realistic
would it be to eliminate police or fire protection
from the harbor? So that's not a very -- very
reasonable way to look at it either.

My last comment relates to the
contribution Dillingham makes to the region.
Throughout the final staff report there's direct
comments to the effect that annexation of the
for the same load. The difference between winter
and summer use of our infrastructure is -- is
extreme. The incinerator runs 24/7 to keep up
with the trash in the summer, which includes the
fishery's waste from the two canneries here.

It's a much quieter incinerator in
January. This is just one of the many services
fishermen and their crews require. Law
enforcement during the summer (indiscernible) one
of the reasons why we have difficult time also
keeping staff.

It's disappointing that a number of
regional entities oppose the Dillingham petition,
and yet they want tax breaks every time we turn
around.

Financial support for joint
projects for these organizations is expected from
us and usually forthcoming. For example, you
heard the City -- oh, no, this is different. For
example, the City bonded the Bristol Bay Native
Association office building, and they are asking
to do that again. They oppose this petition.

For the Bristol Bay Housing
Authority, we provided an 85 percent exemption on
real property taxes on low income homes. Many of
not a knock on staff. I know they've brought out
issues that -- I'll not characterize them as bad,
I think they're very -- they did a very thorough
job; but I -- I respectfully don't agree with
them.

But what does come up in their
report and came up -- I think Mr. Baldwin
mentioned and other people have, that somehow if
you allow this annexation, that'll somehow
influence the area, for whatever reason -- other
reason simply not to have a borough.

And I guess when I thought about
that, I was trying to dig through some history,
and I think there is a way that the Commission,
itself, could address that; and it goes back to
1985.

In '85 the NANA communities,
Kotzebue and the villages around there, approached
the State and said, look, we would like to
organize a borough; and we want to have the Red
Dog Mine that's out of our boundary. We have a
small problem. Red Dog, even though it's owned by
the NANA Corporation, is in the North Slope
Borough.

So what the Commission did and the
CHAIRMAN CHRYSAL: Could you spell that last name for me, please?

MR. ANDREW: A-n-d-r-e-w, sir.

CHAIRMAN CHRYSAL: Okay. Oh, Andrew. Okay. Thank you. Anybody else out there? Okay. We'll start the very -- the first name on the top of our list is Danny Frazier from the Dillingham City School District. I'm sorry, go ahead, please.

MR. FRAZIER: Hi, I'm Danny Frazier, I'm the superintendent of schools in the Dillingham City. I've worked for the District seven years. First as the assistant superintendent, and the last three years as the superintendent.

We have 475 students as of this day. In the past we've opened our high school to Clark's Point and Aleknagik through a cooperative agreement, and we've worked with the Bristol Bay Company -- Bristol Bay Campus to offer dual credits.

Some of our students have graduated with 44 credits toward post-secondary degrees. We've teamed with Southwest Regional School District in our Migrant Education Program and our
CHAIRMAN CHRYSAL: Could you spell that last name for me, please?

MR. ANDREW: A-n-d-r-e-w, sir.

CHAIRMAN CHRYSAL: Okay. Oh, Andrew. Okay. Thank you. Anybody else out there? Okay. We'll start the very -- the first name on the top of our list is Danny Frazier from the Dillingham City School District. I'm sorry, go ahead, please.

MR. FRAZIER: Hi, I'm Danny Frazier, I'm the superintendent of schools in the Dillingham City. I've worked for the District seven years. First as the assistant superintendent, and the last three years as the superintendent.

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Some of our students have graduated with 44 credits toward post-secondary degrees.

We've teamed with Southwest Regional School District in our Migrant Education Program and our
Career Tech Education program. We're proud of what we've established here in Dillingham, and we're proud of our demographics.

However, this is a key point right here, the Dillingham City has supported the school district for as many years as I've been in the district with $1.3 million of local contributions. This is $735,000 over the minimum.

However, if the City is forced to reduce its contribution to the minimum, it would cost more than the 735,000. The district eligible for deduction would increase from 244,000 to 588,000, shorting the district funding by $323,000. The total shortfall in revenue to the district would be $1 million.

The State recently reduced the participating share in the bond indebtedness. The City has to pick up an additional $250,000 in expense for the school district, even though each year at the beginning of the school year we -- we open our buildings to the Southwest Regional School District for their kickoff inservice.

We use the buildings to host meetings for BBNC, the Mental Health Trust Board, BBNA Head Start -- just about any organization
that ask us, we provide them rooms in the -- in
the school district for actually rather nominal
fees; some of them free.

A fact that's worth sharing is --
is the school district doesn't have a library in
our middle school and high school. The City
offers the public library to help with that need.
If the City closes the library because of lack of
funding, the school district also loses its
library.

So to sum it up, we could lose the
library; we could use -- lose a million dollars in
funding. And maybe you don't know -- I know some
of you probably do know -- the school district
doesn't operate on a lot of revenue. We -- we
have revenue for personnel. So if we lose
funding, we lose personnel. We don't have any
place else to cut it. So I'm asking the
Commission to grant the annex. Thank you.

CHAIRMAN CHRYSAL: Any questions

for Mr. Frazier?

COMMISSIONER WILSON: No.

CHAIRMAN CHRYSAL: Anybody on

the -- the two Commissioners on the phone,

Commissioner --
in the district that provides services to the
local fishing fleet, so Dillingham sources of
revenue are limited with the current population
size and the land status that we have. Property
taxes don't apply to all the lands and homes in
the -- in the City district.

And the Nushagak District is the
only district in Bristol Bay without a raw fish
tax going to the municipality that provides
services for the fishing fleet, which has always
been baffling to those of us that have worked on
looking at alternative finances.

I believe that the harvesters of a
public resource should have to help support the
public infrastructure and facilities that they
depend on. Approximately 70 percent of the 800 or
so people that fish in the Nush -- Nushagak
District are not residents of the district and
depend on Dillingham services and resources.

We heard today that the -- the boat
harbor, the City docks, DMV -- which I hadn't even
thought about before -- landfill, bathhouse,
public safety, are not self-supporting and require
the City to annually cover these deficits.

There is a 45 percent increase in
individual persons.

My comments are not directed at any particular community or any group of community or any person or persons, they are a reflection of --- of reality based on facts, as I have perceived them, to affect life in my community and in my region.

On any given day, between a quarter and a half of the people I have contacted in the course of my employment were residents of communities other than Dillingham.

During the fall and winter months, these nonresident contacts were generally regional residents. While during the four months of the fishery, nonresident contacts could be with people from anywhere in the world due to the mass increase in the number of --- of such contacts; many were -- were still predominantly regional residents.

This was particularly true in the core townsite, the docks area, and especially in the Dillingham small boat harbor; areas where services provided to all parties are concentrated and to which police services were largely cemented, especially during closures when
The City is on a budget deficit, and we're not captured this -- this tax base that could help fund some of these essential services that support this enormous fleet that comes in in the summertime.

And I'm certainly not doing as eloquent of a job as Mr. Lisac did, but he -- he greatly lined out all of the resources that are used and these deficits that we see. The trash statistic was staggering to me. $11,000 to take the trash out of the harbor, that's insane; but I can completely see that. When the harbor is full, there are so many people here in town.

I think it's a shame that our library has lost several open business hours during the year. Like Danny Frazier mentioned, the middle school and high school don't have a library of its own; so it relies on our City library. I'm a board member on the Dillingham Friends of the Library here, and we've seen those hourly cutbacks more and more each year.

The fishing fleet, when they're here in town, uses the library. It's overflowing into the parking lot. Fishermen are sitting outside using the Internet services that the City
is paying for, and -- and a fish tax could help
fund all of these services.

Yes, we're not going to see new
services come in; but we're going to fund what
we're already providing and be able to keep up
with that, or at least make some inroads of
keeping up with that.

I would like to see some of that
tax captured (indiscernible) though to Clark's
Point and Ekuk, especially when Mr. Heyano pointed
out that those processors sitting off Clark's
would no longer service -- or would no longer
provide those funds to the City of Clark's Point.
I think that would be greatly detrimental to that
community.

But, you know, we haven't -- people
talk about a borough, it hasn't happened. The
annexation would not preclude the formation of a
borough. We got to start somewhere, and that
resource is being harvested. And it could be
taxed, and it could help contribute to support our
way of life here in this community.

So we are -- we are in support of
that tax. And, yeah, we can write it off on our
personal business taxes and our federal taxes; and
My testimony is my own and not that of any of these organizations. Dillingham's the largest community in Bristol Bay with about a third of the population. The Nushagak Bay, where I grew up fishing commercially during the summers, is the only bay in Bristol Bay that does not have a local fish tax.

If you're trying to use denying Dillingham the ability to extract revenue from the Nushagak Bay in hopes that it'll force Dillingham into a borough, I believe that this would be a failed mission. Dillingham has been looking at borough formation for years; and to date, has gone nowhere.

I believe that there's way too much opposition to borough formation at this time. If you don't allow Dillingham to annex the Nushagak Bay, Dillingham will suffer, especially with the forecast of less revenue from the State of Alaska in the coming years.

The fishing fleet, which is mainly made up of nonresidents which utilize the Dillingham City boat harbor, increases the cost to the City from needed protections of police, fire, ambulance, and other services.
LOCAL BOUNDARY COMMISSION
PUBLIC HEARING

November 30, 2016
9:00 a.m.

Taken at:
Dillingham, Alaska

Commissioners Attending:
Lynn Chrystal, Chairman
Darroll Hargraves
Lavell Wilson
John Harrington (via telephone)
Robert Harcharek (via telephone)

Staff Attending:
Eileen Collins
Brent Williams
average local fish tax that fishermen are
paying elsewhere in Bristol Bay. This
analysis showed that it varies from fishermen
paying an average of $570 in fish taxes in
the Togiak fishing district to Togiak for
their local fish tax, to the average
fisherman in Egegik who pay $2,000 to a
combination of Egegik and Lake and Peninsula
Borough.

If the Dillingham annexation is
approved, Nushagak Bay fishermen would be
paying local fish taxes in the low to
mid-range compared to other Bristol Bay
fisheries.

The obvious next question is:
Well, what if Nushagak fishermen have to pay
both the Dillingham and the future borough
local fish tax? Staff suggests on page 2 of
the final report that, quote, unquote:
Moreover, the Department believes granting
this annexation would cripple a future
borough's primary source of revenue
generation; therefore, this annexation is not
in the State's best interest, end quote.

This is simply not true. I was
surprised that the staff report offered no
data or analysis to back this statement up,
and we've heard several in their testimony
comment about this burden and what the
implications are for being able to have a
future borough. Without this backup, this is
simply an opinion, though, and I'm going to
show that the data does not support this
opinion.

The State's 2015 Alaska taxable
shows that there are seven places in Western
Alaska where both the city and the borough
levy a local fish tax, and combined rates
vary from 3-and-a-half percent to 5 percent.
Assuming a combined City of Dillingham and
future borough fish tax rate of 4 percent and
using the CFEC five-year averages for the
Nushagak fishing district, this would result
in an average tax burden of 1,830 per
fisherman at 4 percent. This would be on the
high end for Bristol Bay, but at 4 percent
it's still less than those fishing in the
Egegik District pay on average.

Keep in mind that this is before
any low income or dual taxpayer rebates are
1 taken. Also, just to remember that these
2 local taxes are deductible on fishermen's
3 federal income tax returns.
4 I do want to note that my look at
5 the average tax burden on fishermen suggests
6 that the combined City of Dillingham and a
7 future borough local fish tax rate not exceed
8 4 percent or 4-and-a-half percent maximum.
9 The question becomes: If a 2 percent future
10 borough fish tax is reasonable, can this
11 raise enough revenue to run a future borough?
12 Again, the answer is yes.
13 As you've heard, there's a
14 regional government study going on now. This
15 month the McDowell Group issued one product
16 from that work for the regional tax portion.
17 That's the Dillingham Census Area Borough
18 Feasibility Study. The McDowell Group
19 report -- and also we've heard testimony, I
20 think, from Mr. Anderson yesterday about this
21 dollar amount. The McDowell Group report
22 estimates how much a variety of different
23 taxes in the region could generate and they
24 developed three different future Dillingham
25 census area borough budgets. The total
Local Boundary Commission – Public Hearing
November 30, 2016

1 borough revenue that they show can be
2 generated varies from 2-and-a-half to
3 $3 million in these scenarios. I believe
4 Mr. Anderson yesterday talked about 2.7
5 million.
6 This could be generated by a
7 combination of 2 to 3 percent fish tax and
8 alcohol sales and lodging taxes and also
9 state community assistance revenue. Each
10 budget provides the three mandatory borough
11 services and has a small surplus.
12 In conclusion, I hope that my
13 comments show a path for you to find that it
14 is in the state's best interest to allow the
15 Dillingham annexation and that this will not,
16 quote, cripple a future borough, end quote.
17 My testimony, which used CFEC, DCRA, and
18 Department of Revenue data that's in the
19 record, as well as information from that
20 November McDowell Group report for the
21 regional borough study group shows that, one,
22 the level of harvest by regional fishermen in
23 the Nushagak Bay is quite similar to the
24 level of regional harvest in the Egegik,
25 Ugashik, Naknek/Kvichak, and Togiak
Fish & Game during the commercial salmon fishery. I was not prepared to speak off the cuff, and so if you can bear with me, I will --

CHAIR CRYSTAL: Now, that's not the letter right there, is it? Yeah, please get it out of the way.

MS. BRIDO: So what you're looking at here in front of you is the Alaska Department of Fish & Game's map of the commercial salmon district boundaries. This map is used by the Alaska Department of Fish & Game during the commercial salmon fishery to tell where salmon are caught and delivered and provide openers during the commercial salmon fishery.

The stat codes that are along the sides, 32535, 32531, 32 -- there we go -- 32333 and 34, as well as over here, 32511, are the setnet stat codes. So those are used for the setnet fissures who are fishing their setnets off of the beach. When they deliver their fish to the processor who's buying their salmon, the processor registers those fish as caught by a setnetter in these
statistical areas. So if your setnet is located here along the Ekuk beach, and you deliver to Ekuk cannery, those fish are recorded by the processor for the Alaska Department of Fish & Game under the stat code 32534, et cetera, for the other setnet districts. If you're going to move between setnet districts, you have to wait 48 hours and then move your setnet site, which doesn't happen very frequently for setnetters.

When the drift fishermen participate in the commercial fishing in the Nushagak District, there are actually three stat codes that they can fish under. When the whole district is open from this red line, this red line south to the south line here, the whole stat code used is 32500. So when the entire bay is open for drift salmon fishing, and a drift fisherman takes their fish to deliver to the processor, the fish caught are registered on a fish ticket under the stat code 32500. There's no way to tell under that stat code where within the district that drift fisherman has caught those salmon. They could have caught some of
them in the mouth of the Igushik River and
they could have caught some of them down at
the south line by Etolin Point. There's no
way to determine where that fisher has been
fishing as a drifter.

However, sometimes at the
Department's discretion they open parts of
the drift fishing district at one time. This
stat code here, 32510, is the Igushik
section, which is separated by this vertical
line. So anything west of that vertical line
when just that section is open, the
Department can tell that drift salmon are
caught in the Igushik section. At times they
open just the Nushagak section, which is this
stat code here, 32530. That's when this side
of the district is open independently.

The Department will decide to
open parts of the Nushagak District based on
escapement with the three main tributaries
within the bay. The Nushagak River, the Wood
River are on this east side of the bay, and
if their escapement is doing well, but the
Igushik River's escapement is not, the
Department will choose to close the Igushik
section and allow just fishing to occur in
the Nushagak section. Alternatively, if the
Igushik River's escapement is doing well,
they'll choose just to open that section.

Most of the season the drift
fishing is prosecuted with the stat code
32500. So the entire drift district is open.
I believe the City's point in asking someone
to testify about these statistical codes
is -- and the Department has also put forth
the opinion that when the entire district is
open and they're using the statistical area
code 32500, there is no way to tell if the
drift fisherman is fishing in the Igushik
section and that tax base should go to the
City of Manokotak, or if that drift fisherman
has been fishing in the Nushagak section, and
that tax base should go to Dillingham should
the annexation proceed through.

So my testimony is just to show
the district is quite large, and when you're
using the stat codes, it's unrealistic to
apportion out how much of that raw fish tax
would go to the City of Manokotak and how
much would go to the City of Dillingham using
32500 as a drift fisherman. It is also unreasonable to have both of those districts open at one time and have them deliver based on where they're fishing. So let's say both the Igushik section and the Nushagak section are open concurrently, and the Department says because of annexation, if you've fished on the Nushagak side, you must deliver your fish to 32530. If you fished on the Igushik side, you must deliver to 32510, well, there's not a whole heck of a lot of tenders that sit over here in the Igushik section.

You may be fishing along the south line and drifting and you're going to deliver your fish just below the south line. There's not really a way to say, okay, one of my brailer bags was caught in 32510 and one of my brailer bags was caught in 32530, so let's split these fish between the sections and give our raw fish tax to each area.

So it would just be something that would be difficult for the Department to do as far as tell when the whole district was open where those drift fish were caught.
So I hope that made sense. It was much more eloquently put by Mr. Sands, but hopefully I haven't given you a whole soup of numbers there that are unusable.

CHAIR CHRYSTAL: I do have a question. When you have a driftnetter and a setnetter both fishing in the same area, can the driftnetters come in and infringe on the area of the setnetter?

MS. BRIDO: No, there are laws -- well, there's regulations under Alaska statutes and through the Board of Fisheries that have set up legal distances between gear types. So you have to be a certain distance away from a setnet operation if you're a drifter and vice versa.

CHAIR CHRYSTAL: Okay. And you can't claim, gee, I was lost in the fog and I drifted in by mistake?

MS. BRIDO: Well, I think you could try that with the troopers, but it probably wouldn't work out for you.

CHAIR CHRYSTAL: Okay. Anybody else got any questions?

COMMISSIONER HARGRAVES: Mr.
So the Commission had this sort of dilemma. How does that work to have a borough that really wants some property that happens to be owned by that area's regional corporation to be included in a new borough? So they did two things. Two separate actions, two separate petitions. One was it allowed a region to vote for a borough and it was conditioned about, that vote, in fact, that Red Dog property that was in the North Slope Borough would be detached and included with this new petition. And in advance of the petition for the legislative review at the same time, or roughly the same time but a separate action instead it said: We're going to detach part of your property within the North Slope Borough and it will be detached conditioned upon people voting for a borough, okay.

So how does that relate to this? It's been mentioned by staff and a number of people that come up to testify that somehow if you have an existing city, you would prevent or discourage or financially make it difficult for a future borough. Through
MAYOR RUBY: So, Mr. Chairman, I apologize. I did have one more item to cover. You had asked or somebody had asked a question yesterday about the size of our geographic city after annexation. So I wanted to respond to that.

So I used the DCCED community -- it's listed on the top of this -- Community Information Database on the web and pulled up random communities that I could think of to use as comparisons. So what I would actually direct your attention to is the population per square mile. If you look at the -- some of the comparables would probably be Egegik. As you can see, the square miles of water within their community, 101 square miles based on their population of 109 people. They've, you know, got .7 persons per square mile.

Also, the communities of St. Paul is probably a comparable, and St. George, and interesting because they're side by side. So St. Paul has a total square miles of 295; 255 of that is water. St. George, 147 square miles of water, giving them under 1 person...
per square mile in their boundaries.

   When I looked at the DCCED website, too, they're still showing the data for Dillingham from 2013. So the data you're seeing here is what existed when our annexation had gone through last time. So showing the Dillingham boundaries as they will be if you approve this annexation, which is 397 square miles of water, it works out to be about 5.4 persons per square mile within our city.

   CHAIR CHRYSTAL: I've got a question.

   MAYOR RUBY: Part of that's the geography. I'm sorry?

   CHAIR CHRYSTAL: Why did you pick those particular cities? I know like -- why wouldn't you pick Juneau? I know Juneau is a huge geographic area. Of course it's a bigger city, but the geographic area is huge.

   MAYOR RUBY: Well, without knowing population numbers, I mean, I did this in like 30 minutes last night at about 11:30. So I didn't -- wasn't able to put a lot of thought into picking communities.
What I tried to do was pick coastal -- what I thought would be like coastal communities, small populations. Maybe some at least that relied on fishing because obviously if it's a coastal fishing community, at least in my thinking, the boundary is going to be bigger because fish is what matters and fish are not on shore. So that's why I picked some of these. You are right, I didn't include, I don't think, any Southeast communities. I probably should have.

CHAIR CHRYSAL: Well, or even in the -- where Darroll and I live in the Mat-Su Valley Borough. You talk about huge. It's over 100 miles from one end to the other.

MAYOR RUBY: I didn't include that one either. This was just a demonstration, and so I just wanted to answer the question you had about --

CHAIR CHRYSAL: Well, you're trying to compare oranges and oranges, I guess.

MAYOR RUBY: Yeah. Well, oranges and apples maybe.

COMMISSIONER HARGRAVES: Mr.