

Local Boundary Commission
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1 STATE OF ALASKA

2 THE LOCAL BOUNDARY COMMISSION

3
4 Before Commissioners: Darroll Hargraves, Chair
5 Robert Hicks, Vice Chair
6 Robert Harcharek
7 Anthony Nakazawa
8 Georgianna Zimmerle (not participating)

9 In the Matter of the Petition for Consolidation of the)
10 Ketchikan Gateway Borough and the City of Ketchi-)
11 kan to the Municipality of Ketchikan, a Home Rule)
12 Borough)

13 STATEMENT OF DECISION

14 **Section I – Summary of Proceedings**

15 A detailed history regarding this consolidation proposal is contained in the
16 reports issued by the Department of Commerce, Community, and Economic Develop-
17 ment (Commerce) in this proceeding. However, in view of the innovative approach that
18 produced the Amended Petition at issue, the Commission believes a brief historical dis-
19 cussion of the process is warranted here. The Commission believes that the extraordi-
20 nary and collaborative efforts by the Petitioner, the City of Ketchikan (City), the
21 Ketchikan Gateway Borough (KGB), and the citizens of that area minimized the length
22 of the investigation and decisional process in the proceeding.

23
24 In 2003, members of the Greater Ketchikan Chamber of Commerce com-
25 menced efforts to consolidate the City and the KGB. The initial action by that group was
26 to form the “Ketchikan - One Government Committee” to work on the consolidation.
27 The following is an account of the formal proceedings regarding that consolidation ef-
28 fort.

29
30 May 2003

31 On May 23, 2003, members of the Ketchikan - One Government Commit-
32 tee submitted a formal application for an initiative petition to the KGB Clerk. The appli-
33 cation proposed to place the following proposition before the voters:

34
At the regular election, on October 7, 2003, the voters of the Ketchikan Gateway Borough shall consider the question "Shall a commission be elected to prepare a petition, including a home rule charter, to consolidate the City of Ketchikan and the Ketchikan Gateway Borough and shall the

1 Ketchikan Gateway Borough file the petition, without modification, with the
2 Local Boundary Commission by September 30, 2004?

3 If the voters approve, the borough shall hold a special election within
4 90 days to elect the commission. The commission shall be comprised of
5 seven seats: three filled by citizens residing within the boundaries of the
6 City of Ketchikan, three filled by citizens residing within the boundaries of
7 the Ketchikan Gateway Borough but outside the City of Ketchikan, and
8 one filled by a citizen from the Ketchikan Gateway Borough at-large.
9 Commission candidates shall be nominated by a petition signed by at
10 least 50 voters. The nomination petitions shall be filed with the municipal
11 clerk at least 60 days prior to the election of the commission.

12 The commission shall prepare the consolidation petition, including the
13 proposed home rule charter. The proposed consolidated borough shall be
14 named the "Municipality of Ketchikan." The City of Saxman shall remain a
15 city government and shall be part of the consolidated borough as it is
16 presently part of the Ketchikan Gateway Borough. The Ketchikan Gateway
17 Borough shall submit the consolidation petition, including the charter, to
18 the Local Boundary Commission by September 30, 2004.

19 June 2003

20 On June 2, 2003, the KGB Clerk certified that the application for the initia-
21 tive was in proper form and that it met other requirements in State law in that the pro-
22 posal:

- 23 1. was not restricted by AS 29.26.100;¹
- 24 2. included only a single subject;
- 25 3. related to a legislative rather than to an administrative matter; and
- 26 4. would be enforceable as a matter of law.

27 On June 5, 2003, the KGB Clerk notified the sponsor of the proposed ini-
28 tiative that the Clerk had prepared the initiative petition forms. The sponsor was also
29 advised that 598 valid signatures – 15 percent of the number of voters who voted in the
30 last regular borough election – were required to place the proposed initiative before the
31 voters.

32 August 2003

33 On August 13, 2003, the sponsor of the initiative submitted the initiative
34 petition to the KGB Clerk. The petition contained nearly 900 signatures. On August 14,
2003, the KGB Clerk determined that the number of qualified signatures far exceeded
the requisite number of 598.

¹AS 29.26.100 provides that, "The powers of initiative and referendum are reserved to the residents of mu-
nicipalities, except the powers do not extend to matters restricted by art. XI, sec. 7 of the state constitution."

1 October 2003

2 On October 7, 2003, KGB voters approved the initiative by a margin of
 3 1,796 (54.5 percent) to 1,498 (45.5 percent). The election results were certified on
 4 October 13, 2003. Results of the election are set out in table below.

6 Election Results Regarding Initiative to Petition for Consolidation
 (Precincts ranked in descending order of percentage of votes favoring the initiative.)

7 Precinct	Votes For the Initiative	Votes Against the Initiative
8 City Precinct Number 3	269 (66.1%)	138 (33.9%)
9 City Precinct Number 2	416 (64.6%)	228 (35.4%)
10 City Precinct Number 1	300 (63.3%)	174 (36.7%)
11 South Tongass Precinct	253 (56.1%)	198 (43.9%)
12 North Tongass Precinct Number 2	185 (35.9%)	331 (64.1%)
13 North Tongass Precinct Number 1	74 (34.3%)	142 (65.7%)
14 City of Saxman Precinct	26 (28.9%)	64 (71.1%)
<hr/>		
Absentee Voters	193 (55.0%)	158 (45.0%)
Questioned Ballots	80 (55.2%)	65 (44.8%)
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Totals	1,796 (54.5%)	1,498 (45.5%)

15 January – September 2004

16 On January 13, 2004, the KGB held a special election for voters to choose
 17 members of the Ketchikan consolidation Commission (KCC). On January 15, 2004, the
 18 KGB Assembly certified the results of the election and declared the election of the fol-
 19 lowing members of the KCC:

21 KCC members residing in the KGB but outside the City:

- 22 • Brad W. Finney;
- 23 • Jerry L. Kiffer;
- 24 • John A. Harrington.

25 KCC members residing in the KGB and inside the City:

- 26 • Mike Painter;
- 27 • Deborah Otte;
- 28 • Dennis McCarty.

29 KCC member residing in the KGB at-large:

- 30 • Glen Thompson.

31 The KCC held its first meeting on January 21, 2004. Between that meet-
 32 ing and the time it adopted the original Petition on September 17, 2004, the KCC met
 33 30 times. The original Petition was filed with the Commission on September 30, 2004.
 34 Agendas, meeting minutes, and other records of the KCC meetings are public records
 and have been made available to the Commission.

1 October 2004

2 Commerce completed its technical review of the form and content of the
3 original Petition on October 6, 2004. Commerce accepted the Petition for filing on that
4 date. The Commission Chair set December 27, 2004, as the deadline for receipt of re-
5 sponsive briefs and comments concerning the original Petition. Extensive notice of the
6 filing of the Petition and service thereof was provided by the Petitioner in accordance
7 with law.

8
9 December 2004

10 On December 21, 2004, the KGB Manager filed with the LBC an eight-
11 page letter commenting on the original Petition. The KGB Manager stated that the
12 “consolidation petition, Charter, transition plan, and three-year budget, provide an ade-
13 quate basis for creation of a new consolidated municipality.” The letter stated that there
14 are “likely innumerable specific policy issues or choices made in the petition which could
15 be debated but never fully resolved to the satisfaction of all because not everyone
16 shares the same opinions.” However, the KGB Manager took the position that none of
17 those issues “present legal defects with the petition or the organization proposed.” The
18 Manager also listed 24 specific issues that he asked the LBC to consider. For example,
19 he noted that Exhibit J-1 of the original Petition provided a specific list of public policy
20 issues that the KCC deferred for consideration by the assembly of the consolidated bor-
21 ough. The Manager questioned whether it would be better to address those issues now
22 rather than waiting for consolidation to occur.²

23
24
25 On December 23, 2004, the City filed a 28-page Responsive Brief oppos-
26 ing the Petition as originally submitted. The Responsive Brief noted that the City’s ex-
27 pertise with its own organizational structure and financial situation, coupled with the fact
28 that the City had petitioned for consolidation four years earlier, gave it a unique per-
29 spective with regard to the proposal filed by the KCC.

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31 The City noted in its Responsive Brief that the original Petition had drawn
32 heavily on the one filed by the City in 2000. However, the City expressed concern that
33 KCC’s original Petition deviated from the City’s 2000 petition in four particularly signifi-
34 cant ways. Those were proposals to:

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1. institute a strict property tax cap;
2. impose a requirement that two-thirds of the assembly or a majority of the voters approve any increase in fees, sales tax levies, or property tax levies;
3. transfer 20 percent of the existing City General Fund balance for areawide purposes; and
4. reduce the sales tax levy for public works in the Gateway Service Area by 0.25 percentage points (from 1.5 percent to 1.25 percent).

The City also criticized the original Petition for using what the City considered to be unrealistic assumptions in the budget and financial plan. That, according to the City's Responsive Brief, resulted in a budget and financial plan that was neither feasible nor plausible. The City characterized the proposal as one that failed to reasonably anticipate the proposed consolidated borough's expenses. As a result, the City stated that the voters could not rely upon the budget and financial plan.

The City's Responsive Brief concluded by stating:

The Petition should not be approved as written. The proposed budget and financial plan need to be corrected. The expenses and funding of services should be more fairly distributed between City and other taxpayers. Finally, the Petition should use the consolidation process to create those efficiencies which, regardless of tax caps, are the key to controlling tax rates.

Apart from the formal Responsive Brief of the City, on December 27, the City Mayor submitted a three-page letter expressing concerns over the KCC Petition as originally submitted.

The City Mayor stressed, however, that he was a longtime proponent of consolidation for two reasons. The first was that "[h]aving two governments is not efficient in several respects, particularly duplication of management costs of operation." The second was that "[a]reawide services should be supported on an areawide basis, not by only a portion of the people of a community as is the case here now with certain municipal services, e.g. museum and mental health."

The City Mayor indicated that the original KCC proposal appeared to allocate areawide and service area functions of the proposed consolidated borough in a reasonable manner. However, he expressed what he perceived as three fundamental weaknesses in the original Petition. Specifically, the Mayor stated:

(. . . continued)

²Having reviewed those issues, Commerce concurred with Petitioner that they are matters more appropriately left to the discretion of the governing body and need not resolved in the consolidation process.

1 The proposed plan details very insignificant savings relative to the costs of op-
2 erating two governments. Of note is that the proposed efficiencies are sub-
3 stantially less than those proposed by the City in its petition a few years ago.
4 From my perspective, if there are no significant savings there is no reason to
5 consolidate.

6 While the petition does outline the services that should be areawide in a rea-
7 sonable manner, the way the services are proposed to be funded is not fair to
8 City residents. It requires only basic arithmetic skills to conclude that if
9 100 [percent] of the people begin to pay for municipal services (such as mu-
10 seum and mental health) paid for by 60 [percent] of the people today, the cost
11 to the 60 [percent] should decrease in a corresponding manner.

12 . . .
13 The City is currently a home rule city, with an elected City Council making de-
14 cisions about appropriate levels of taxation, utility rates, and fees by a majority
15 vote. The proposed petition requires [that] any tax, rate or fee increase, in-
16 cluding for utilities, would have to be approved by a supermajority, or
17 5 members, of the new assembly. Furthermore, the petition proposes a
18 10 mill tax cap, with voter approval required to increase it. This has the effect
19 of changing the City's current form of government to something significantly
20 less representative than its current status.

21 Following receipt of the Responsive Brief and written comments on the
22 original Petition, the Commission Chair set February 28, 2005, as the deadline for the
23 Petitioner to file its Reply Brief. The Petitioner was advised that the deadline would be
24 extended if necessary.

25 January – August 2005

26 The KCC met several times between January and February to consider
27 the Responsive Brief of the City and the comments from Mayor of the City and the KGB
28 Manager and possible amendments to the original Petition.

29 On February 25, 2005, the KCC requested an extension of the deadline
30 for submission of its Reply Brief. In his response of February 27, 2005, the Commission
31 Chair stressed that the original deadline had been set with the understanding that addi-
32 tional time would be granted if such were needed to prepare a proper reply.

33 The KCC met in March, April, and August 2005 to consider its reply brief
34 and possible amendments to the original Petition. The minutes of an April meeting re-
flect the continuing consensus-building goals of this unique group.

We have to have the stakeholders, the [KGB], the City and the Commission,
as much as possible on the same page. That's not to say we're going to com-
pletely agree with everything and that's not to say that we're all going to get
done with this process and say this is the greatest thing that's come down the
pike. He said he doubted that's going to happen, but at least we're going get
to a point where we say that we don't like it, but we don't hate it, either. It will
stand a lot better scrutiny and will actually go through their process a lot more

1 efficiently and quickly if there is not this level of objection to it in the next go-
2 around. That's what we need to work toward.

3 September 2005

4 The KCC met on September 16, 2005. At the conclusion of the meeting,
5 the seven members of the KCC unanimously adopted the Reply Brief and amendments
6 to the original Petition, with provision to allow further comment by the City and the KGB.
7 On September 29, 2005, the City Manager wrote a seven-page memorandum to the
8 City Council outlining the modifications that had been made to the original Petition. A
9 copy of the memorandum is included in the KCC Reply Brief. The City Manager con-
10 cluded:

11 Although staff has had minimal time to review the reply brief and supporting
12 documentation, it is clear that the [KCC] has attempted to respond in good
13 faith to a number of the issues raised by the City last December. At the same
14 time, there are other concerns that remain unresolved. To that end, my office
15 has forwarded a copy of this report to the [KCC] and has requested a meeting
16 with the Chair, Glen Thompson, prior to the October 6, 2005 City Council
17 meeting. The purpose of this meeting is to discuss the issues referenced in
18 this report. It is my hope that the [KCC] can either clarify information con-
19 tained in its reply brief and/or resolve what appear to be discrepancies in the
20 Financial Plan and Three-Year Budget. It is my intent to advise the City
21 Council of the results of this meeting prior to any final action being taken. I
22 have further encouraged members of the [KCC] to attend the City Council
23 meeting of October 6, 2005.

24 October 2005

25 KCC Chair Glen Thompson and KCC member Debby Otte met with the
26 City Finance Director on October 5, 2005. According to minutes of the KCC's October
27 18 meeting,

28 [The City was not] completely satisfied with all of our responses (naturally,
29 there were some political decisions made), but they did feel that our re-
30 sponse did meet the minimum requirements and they would have no ob-
31 jection to a recommendation that it be passed on to the voters.

32 On October 6, 2005, members of the City Council expressed no objection to allowing
33 the City Manager to continue discussions with the KCC. (See excerpt of minutes of City
34 Council meeting of October 6, 2005, included with the KCC Reply Brief.)

On October 17, 2005, the KGB Assembly unanimously adopted Resolu-
tion No. 1930. The resolution, included with the KCC Reply Brief, states, in relevant
part:

WHEREAS, the KCC modified its petition to address the specific concerns
raised by the City of Ketchikan and the Ketchikan Gateway Borough.

...

1 . . . The Ketchikan Gateway Borough Assembly hereby authorizes the
2 Borough Manager to formally notify the Alaska Local Boundary Commission
3 that the Borough has reviewed the Ketchikan Consolidation Charter Com-
4 mission's reply brief and finds that it meets the standards necessary to place
5 the consolidation question before the voters of the Borough.

6 At its meeting of October 18, 2005, the KCC voted to file its Reply Brief
7 and Amended Petition with the Commission. The motion to do so was unanimously ap-
8 proved by the six members present at the meeting; the seventh member of the KCC
9 had previously endorsed the Reply Brief and Amended Petition.

10 KCC's Reply Brief and Amended Petition were submitted to the Commis-
11 sion on October 24, 2005. In transmitting the Reply Brief and Amended Petition, the
12 KCC Chair stated:

13 The [KCC] has spent the past 9 1/2 months revising the consolidation petition
14 documents originally submitted to the . . . [Commission] in September of 2004,
15 in an attempt to address the formal concerns raised by both the City and
16 [KGB] administrations. We would like to thank you for your own assistance,
17 and that of the City and [KGB] staff in reaching this juncture in our efforts.

18 We believe that we have successfully addressed all of the material errors and
19 omissions, as well as the operational and organizational concerns raised in the
20 formal Brief submitted by the [City] and the letter from the [KGB].

21 A summary of the substantive changes made by KCC in the Amended Petition follows:

- 22 • the proportion of the City General Fund balance to be transferred to
23 the Gateway Service Area was increased to 100 percent (up from
24 80 percent);
- 25 • the sales tax levy for public works in the Gateway Service Area was
26 changed to maintain the current levy of 1.5 percent (the original pro-
27 posal was to reduce it to 1.25 percent and allocate the 0.25 percent dif-
28 ference for areawide purposes);
- 29 • areawide property taxes were projected to be increased by 2 mills to
30 pay for expected increased costs relating to retirement and insurance;
- 31 • a 2 mill limit was placed on annual areawide property tax levy in-
32 creases, with provision that at least two-thirds of the assembly, with
33 special public notice provisions, or a majority of the voters may author-
34 ize an increase greater than 2 mills above the previous year's levy (that
provision replaced a 10 mill property tax cap set in the original peti-
tion);
- the original proposal to require at least two-thirds of the assembly or a
majority of the voters to authorize any fee increase was eliminated;
- a provision was added that water utility services may only be provided
on a service area basis; and
- fiscal data and projections throughout the Petition were updated and
otherwise modified to reflect other amendments.

1 November – December 2005

2 The Commission Chair set December 30, 2005, as the deadline for com-
3 ment on the Amended Petition. Formal notice of the Amended Petition was given in ac-
4 cordance with the requirements of law. The Petitioner also served a copy of the
5 Amended Petition on the City.

6 No comments on the Amended Petition were received by the Decem-
7 ber 30, 2005, deadline.

8 January 2006

9 Commission Staff provided each member of the Commission with a copy
10 of the record in the proceeding. At that time, the record consisted of the original petition
11 and supporting documents; Responsive Brief from the City; written comments from the
12 KGB and Mayor of the City; the October 2005 Amended Petition; and the KCC Reply
13 Brief.

14 April 2006

15 Commerce's *Preliminary Report to the Local Boundary Commission on*
16 *Ketchikan Local Government Consolidation (Preliminary Report)* was published in mid-
17 April 2006. In its *Preliminary Report*, Commerce concluded that the Amended Petition
18 satisfies all legal standards applicable to the pending consolidation proposal and rec-
19 ommended that the Amended Petition be approved. However, Commerce also recom-
20 mended a detailed technical review of the amended Charter. The deadline for filing
21 written comments on the *Preliminary Report* was May 18, 2006.

22 May 2006

23 On May 4, 2006, the Chair of the KCC requested that Commerce, in con-
24 sultation with officials of the City and the KGB, undertake a technical review of the pro-
25 posed Charter included with the Amended Petition. A copy of the letter was provided to
26 officials of the City, officials of the KGB, and others. By a one-page letter from the City
27 Manager, the City endorsed KCC's request that Commerce undertake a review of the
28 charter.

29 Commerce subsequently undertook a diligent review of the Charter to of-
30 fer constructive comments regarding technical aspects of the Charter. That review was
31 completed on May 23, 2006. In addition to recommending various changes to the Char-

1 ter, Commerce also noted technical issues relating to the initiative and referendum pro-
2 visions of that document.

3 On May 31, 2006, Commerce received a copy of a memorandum from the
4 City Manager to the City Mayor and City Council. That communiqué, among other
5 things, noted Commerce's review of the Charter and request for comments on that re-
6 view. The memorandum also noted that all the Commerce review materials had been
7 provided to the City Attorney for evaluation.
8

9 June 2006

10 On June 1, 2006, the KCC notified Commerce that the KCC had met on
11 May 31 and voted unanimously to accept Commerce's suggested changes to the Char-
12 ter. The KCC also proposed a change to the initiative and referendum provisions of the
13 Charter, but that proposed change was subject to additional review by the KCC on June
14 22, 2006.
15

16 On June 1, 2006, Commerce issued its 42-page *Final Report to the Local*
17 *Boundary Commission on Ketchikan Local Government Consolidation (Final Report)*,
18 and included therein a summary of Commerce's review of the Charter. In its *Final Re-*
19 *port*, Commerce readopted the conclusions and recommendation reached in its *Prelimi-*
20 *nary Report*; i.e., that the Amended Petition satisfies all legal standards applicable to the
21 consolidation proposal and that the Amended Petition be approved. However, Com-
22 merce also recommended that the LBC modify the Charter to reflect technical changes
23 suggested by Commerce as well as any changes proposed by the City or the KGB fol-
24 lowing their review of that document.
25

26 June 12, 2006, was the deadline for filing lists of witnesses to be called by
27 the Petitioner or Respondent at the public hearing. Neither the Petitioner nor the Re-
28 spondent City filed a witness list. The Respondent's Representative had previously ad-
29 vised the City Council that "unless directed otherwise by the City Council, [the
30 Respondent] intends to advise the [Commission] that the City, as a respondent, does
31 not take a position either in support of or opposition to the consolidation petition."
32

33 On June 21, 2006, the City Attorney filed a letter regarding his review of
34 the Charter and the changes proposed thereto by Commerce. The City Attorney raised

1 six issues regarding the Charter and Commerce's proposed changes. He discussed the
2 issues in detail and suggested several amendments to address his concerns.

3 The KCC met again on June 22, 2006 (over the course of this proceeding,
4 the KCC met more than 40 times). During its June 22 meeting, the KCC accepted the
5 City Attorney's proposed changes to Section 3.02(b) and Section 10.09(b) of the Char-
6 ter. The KCC also approved changes to provisions of the Charter dealing with referen-
7 dum and initiative at Sections 6.04(e), 6.08(e), and 6.09(e).

9 Commission Public Hearing

10 The public hearing on the consolidation proposal was set for 3 p.m.,
11 June 26, 2006, in the City Council Chambers, with a public comment segment begin-
12 ning at 7 p.m., on that date. Extensive public notice of the hearing was given.

13 Commissioners Hargraves, Harcharek, Hicks, and Nakazawa traveled to
14 Ketchikan to conduct the public hearing. Commissioner Zimmerle resides in Ketchikan.

15 Prior to the hearing, the Commission held a public meeting to discuss
16 recusal issues involving Commissioners Hargraves and Zimmerle. On advice from the
17 Attorney General's Office,³ Commissioner Hargraves was determined to have no con-
18 flict with participating in the proceeding; however, Commissioner Zimmerle was recused
19 from participating.
20

21 The Commission convened the public hearing at 3:10 p.m. Aside from the
22 Commission and its staff, approximately 20 individuals attended the hearing.
23

24 The hearing began with a summary by Commission Staff of its reports and
25 recommendations to the Commission. In brief, Staff recommended that the Commis-
26 sion approve the Amended Petition to consolidate the City and the KGB, with amend-
27 ments to the proposed Charter as follows:

- 28 1. the changes outlined in Staff's recommendation of May 23, 2006, and
29 summarized in Appendix D of the *Final Report*,
- 30 2. the changes to Sections 6.04(e), 6.08(e), and 6.09(e) proposed by the
31 KCC and outlined on p. 8 of the *Final Report*,
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- 33

34 ³Potential conflicts were raised by Commissioner Hargraves in his April 26, 2006, letter to Assistant Attorney General Marjorie Vandor. Potential conflicts were raised by Commissioner Zimmerle in her May 2, 2006, letter to Assistant Attorney General Marjorie Vandor. Ms. Vandor addressed the potential conflicts of Commissioners Hargraves and Zimmerle, respectively, in memoranda dated June 20 and June 23. Commissioner Zimmerle followed up by writing a memorandum to the Commission on June 25. Ms. Vandor attended the public meeting and the public hearing in Ketchikan.

- 1 3. changing the word *materially* to *substantially* in the second sentence
2 of Section 3.02(b); and
3 4. changing the second *the* to *any* in the first sentence of Sec-
4 tion 10.09(b).

5 Following Staff's summary, the Petitioner's Representative Glen Thomp-
6 son made the Petitioner's opening statement. Mr. Thompson urged the Commission to
7 approve the Amended Petition, including the amended Charter, so that the residents of
8 the area could vote on the consolidation of municipal governments in Ketchikan. No
9 witnesses were called by the Petitioner.
10

11 Respondent's Representative, the City Manager, stated that the City nei-
12 ther opposed nor endorsed the Amended Petition. No witnesses were called by the
13 Respondent.
14

15 The hearing recessed at approximately 4 p.m. and reconvened at 7 p.m.
16 to take public comment. Approximately 30 individuals attended the evening segment of
17 the public hearing. The majority of those commenting spoke in favor of the consolida-
18 tion proposal. One individual spoke against the consolidation.
19

20 **Decisional session.**

21 At the conclusion of the hearing, the Commission convened a decisional
22 session pursuant to 3 AAC 110.570. The Commission deliberated for approximately
23 forty minutes. At the conclusion of the deliberations, the Commission voted unani-
24 mously to approve the Petition with amendments to the Charter of the proposed Munici-
25 pality of Ketchikan.
26

27 To explain the basis for the Commission's decision in this proceeding,
28 the following is an account of the findings and conclusions reached by the Commission
29 with respect to the Petition.
30

31 **Section II – Findings and Conclusions**

32 The basis for Commission action regarding a municipal consolidation peti-
33 tion is set out in AS 29.06.130(a), which states as follows:
34

 The Local Boundary Commission may amend the petition and may im-
 pose conditions for the merger or consolidation. If the commission deter-
 mines that the merger or consolidation, as amended or conditioned if

1 appropriate, meets applicable standards under the state constitution and
2 commission regulations, the municipality after the merger or consolidation
3 would meet the standards for incorporation under AS 29.05.011 or
4 29.05.031, and the merger or consolidation is in the best interests of the
5 state, it may accept the petition. Otherwise, it shall reject the petition.

6 The standards applicable to the Ketchikan local government consolidation
7 proposal consist of art. X, secs. 1 and 3 of the Alaska Constitution, AS 29.06.130(a) and
8 29.05.031, 3 AAC 110.240 – 3 AAC 110.250, 3 AAC 110.045 – 3 AAC 110.065, and
9 3 AAC 110.910 - 3 AAC 110.980. Additionally, provisions in the federal Voting Rights
10 Act (42 U.S.C. § 1973) apply to consolidation of local governments in Alaska.

11 The Commission makes the following findings and conclusions concerning
12 the Amended Petition including the proposed Charter.

13 Part 1. Consolidation Will Advance Maximum Local Self-Government.

14 Art. X, sec. 1 of the Alaska Constitution promotes “maximum local self-
15 government.” Commerce addressed this standard on pp. 37 – 42 of its *Preliminary Re-*
16 *port* and affirmed that review and analysis in its *Final Report*. Based on its review of the
17 Alaska Constitution, prior decisions of the Commission, and other relevant materials,
18 Commerce concluded that maximum local self-government could be achieved in two
19 fundamental ways. One is through the formation of a new municipal government or the
20 expansion of an existing municipal government where no municipal structure currently
21 exists. The other is through the extension of municipal home-rule. The Commission
22 concurs with Commerce’s analysis of this standard and adopts that analysis by refer-
23 ence for purposes of this decisional statement.

24 The Amended Petition proposes to dissolve two local governments (the
25 City and the KGB) and incorporate a new home rule borough. The City of Saxman
26 would remain a second-class city within the new consolidated borough. The consolida-
27 tion proposal would not extend local government jurisdiction beyond the area currently
28 served by the KGB. However, it would extend home rule status to all borough residents
29 and the entire area within the borough.

30 Of the 13,125 residents of the KGB, 7,685 live in the 5.6 square mile terri-
31 tory encompassed by the boundaries of the home-rule Ketchikan city government. An
32 additional 405 residents live within a one-square-mile area encompassed by the
33 boundaries of the general law City of Saxman. The remaining 5,035 residents live in
34

1 the 1,745.4-square-mile nonareawide portion of the KGB, which is a general law bor-
2 ough.

3 If the pending proposal is implemented, home-rule status will be extended
4 to all residents of the consolidated borough. Given that change, the LBC concludes that
5 the pending proposal fosters maximum local self-government and meets the standard
6 set out in article X, section 1 of the Alaska Constitution.
7

8 During the Commission's public hearing on the Amended Petition con-
9 ducted on June 26, 2006, one individual expressed the view that the consolidation pro-
10 posal should also provide for the dissolution of the City of Saxman. The Petitioner
11 addressed the decision to allow Saxman to retain its second-class city government in
12 section 1 of Exhibit H of the Amended Petition, noting that:

13 The City of Saxman was intentionally excluded from the proposed con-
14 solidation of the City of Ketchikan and the Ketchikan Gateway Borough
15 into a home rule borough. The City of Saxman has long believed that re-
16 taining its status as a second-class city within the consolidated [Borough]
Municipality will preserve its native culture and enhance its ability to se-
cure state and federal funding.

17 During the June 26 hearing, the Petitioner's Representative also noted
18 that the initiative regarding the pending consolidation proposal approved by the KGB
19 voters in 2003 specifically required that the petition provide that City of Saxman remain
20 in existence. The LBC recognizes that consolidation, unlike unification under AS
21 29.06.190 – 29.06.410, allows the flexibility to consolidate a borough and some, but not
22 all, city governments within that borough.
23

24 If the pending consolidation proposal is implemented, residents of the City
25 of Saxman would, of course, also be residents of the home-rule consolidated borough.
26 The LBC finds that the Petitioner's decision to leave the City of Saxman in place does
27 not diminish the extent to which the proposal achieves maximum local self-government.
28 Commerce stated at n. 22 on p. 38 of its *Preliminary Report* that the Commission had
29 concluded with regard to a 2000 Fairbanks consolidation proposal that maximum local
30 self-government "is a matter of local residents having access to local government and
31 an optionally broad range of power to pursue local government as they wish."
32

33 Part 2. Consolidation Promotes a Minimum Number of Local Government Units.
34

In addition to promoting maximum local self-government, art. X, sec. 1 of
Alaska's Constitution encourages a minimum number of local government units. Com-

1 merce addressed this standard on pp. 43 – 49 of its *Preliminary Report* and affirmed
2 that review and analysis in its *Final Report*. Based on its review of the Alaska Constitu-
3 tion, the specific facts in this proceeding, and other relevant materials, Commerce con-
4 cluded that the consolidation proposal acts to minimize the number of local
5 governments serving the greater Ketchikan area. The Commission concurs with Com-
6 merce’s analysis of this standard and adopts that analysis by reference for purposes of
7 this decisional statement.
8

9 Currently, three local governments serve the residents of the KGB. Resi-
10 dents of the Ketchikan city government and the City of Saxman are served by their re-
11 spective city governments and by the overlapping KGB.

12 While the geographic size of the overlapping municipal jurisdictions in the
13 KGB is relatively insignificant (6.6 square miles, which represents less than four-tenths
14 of one percent of the area within the KGB), the population within those overlapping ju-
15 risdictions is substantial (8,090 or 61.6 percent of the KGB population).
16

17 If consolidation occurs, overlapping local government structures will be
18 reduced to only the one-square-mile territory within the corporate boundaries of the City
19 of Saxman. At that point, only about three percent of the population of the consolidated
20 borough would reside within the boundaries of a city government.
21

22 Of course, if the consolidation proposal also called for dissolution of the
23 City of Saxman, there would be one less city government within the consolidated bor-
24 ough; and just one local government would serve all residents of the consolidated bor-
25 ough. Still, the consolidation proposal would result in a single government serving 97
26 percent of the population of the borough and 99.94 percent of the area within the bor-
27 ough.
28

29 Given the circumstances outlined above, the Commission concludes that
30 the pending proposal serves to minimize the number of local governments serving the
31 residents of the greater Ketchikan area. Thus, the standard set out in art. X, sec. 1 of
32 the Alaska Constitution is satisfied by the pending proposal.
33

34 Part 3. The Boundaries of the Proposed Consolidated Borough Are Suitable.

 At pp. 49 - 70 of its *Preliminary Report*, Commerce addressed the issue of
whether the boundaries of the proposed consolidated borough are appropriate. Com-

1 merce affirmed that review and analysis in its *Final Report*. Based on its review of the
2 Alaska Constitution, prior decisions of the Commission, and other relevant materials,
3 Commerce concluded that the existing boundaries of the KGB are suitable for the con-
4 solidated borough. Specifically, Commerce stated as follows at pp. 51 – 53 of its *Pre-*
5 *liminary Report*:
6

7 In the proceedings relating to the City's 2000 consolidation proposal,
8 Commerce took the position that, absent significant changes in the social,
9 cultural, and economic characteristics of the population of the KGB since
10 1963, the circumstances outlined above created a strong presumption that
11 the existing boundaries of the KGB are suitable in terms of the boundary
12 standards relating to consolidation. (See *Preliminary Report on the Pro-*
13 *posal to Consolidate the City of Ketchikan and the Ketchikan Gateway*
14 *Borough*, Commerce, February 2001). The [Commission] concurred and
15 found that the applicable boundary standards were met. The [Commis-
16 sion] specifically cited article X, section 3 of the Alaska Constitution,
17 AS 29.05.031(a)(1) and (2), 3 AAC 110.045(a) and (b), and 3 AAC
18 110.060. (See *Statement of Decision in the Matter of the Petition for Con-*
19 *solidation of the City of Ketchikan and the Ketchikan Gateway Borough*,
20 pp. 6-9, LBC, April 7, 2001.)

21 Commerce maintains the position that the circumstances outlined here
22 create a presumption that the existing boundaries of the KGB meet the
23 applicable boundary standards for consolidation and that there is no evi-
24 dence to overcome that presumption.^[4] Commerce concludes that the
25 boundaries of the proposed consolidated borough:

- 26 • embrace an area and population with common interests to the
27 maximum degree possible as required by article X, section 3 of
28 the Alaska Constitution;
- 29 • encompass a population that is interrelated and integrated as to
30 its social, cultural, and economic activities as required by
31 AS 29.05.031(a)(1) and 3 AAC 110.045(a); and is also interre-
32 lated and integrated as to its social, cultural, and economic char-
33 acteristics as further required by 3 AAC 110.045(a);
- 34 • include at least two communities – Ketchikan and Saxman – as
required by 3 AAC 110.045(b);^[5]
- conform generally to natural geography and include all areas
necessary for full development of essential municipal services as
required by AS 29.05.031(a)(2) and 3 AAC 110.060(a).^[6]

28 ⁴[Footnote 38 in original] Those circumstances are that (1) the existing boundaries of the KGB were set by
29 the [Commission]; (2) the KGB boundaries have been in place for nearly 43 years, (3) the boundary standard in arti-
30 cle X, section 3 has never changed, (4) the statutory boundary standards in place in 1963 are substantially the same
31 as those currently in place, (5) the April 1999 implicit affirmation by the [Commission] that the area within the existing
32 boundaries of the KGB is socially, culturally, and economically interrelated and integrated, and (6) the April 2001 de-
33 termination by the [Commission] that the existing KGB boundaries met the borough consolidation standards.

31 ⁵[Footnote 39 in original] Determinations by the [Commission] whether a locality constitutes a community
32 are made under 3 AAC 110.920. With regard to the factors set out in 3 AAC 110.920, Commerce notes that the 2005
33 population of the City of Saxman and the City was, respectively, 405 and 7,685. The 2005 population density of the
34 City of Saxman was 405 persons per square mile. The 2005 population density of the City was 1,372 persons per
square mile. Thus, inhabitants of Saxman and Ketchikan reside permanently in a close geographical proximity that
allows frequent personal contacts and comprise a population density that is characteristic of neighborhood living.
Moreover, residents of Ketchikan and Saxman residing permanently at their respective locations each comprise a
discrete and identifiable social unit as indicated by such factors as voter registration, precinct boundaries, perma-
nency of dwelling units, and the number of commercial establishments and other service centers.

⁶[Footnote 40 in original] The KGB currently exercises the following essential services on an areawide ba-
sis: education; assessment and collection of property, sales, and transient occupancy taxes; platting, planning, and
land use regulation; animal control; economic development; public transportation; and parks and recreation. Under
consolidation, those services would continue to be provided on an areawide basis. Moreover, the City currently pro-
(continued . . .)"

- 1 • do not extend into the model borough boundaries of another re-
2 gion in conformance with 3 AAC 110.060(b);
- 3 • conform to the boundaries of the existing regional (borough)
4 school district in accordance with 3 AAC 110.060(c);^[7]
- 5 • encompass a contiguous area that does not contain enclaves in
6 accordance with 3 AAC 110.060(d); and
- 7 • do not overlap the boundaries of an existing organized borough in
8 accordance with 3 AAC 110.060(e).

9 The Commission concurs with much of Commerce's analysis of the
10 boundary standards, particularly the constitutional review on pp. 54 – 66 of the *Prelimi-*
11 *nary Report*. The Commission adopts Commerce's constitutional analysis by reference
12 for purposes of this decisional statement.

13 The Commission recognizes that the KGB filed a petition with the Com-
14 mission in February 2006 to increase the size of the area within its boundaries by 4,701
15 square miles. Moreover, voters in the greater Wrangell area filed a petition with the
16 LBC in April 2006 to incorporate a new borough.

17 These circumstances create a dilemma. If the Commission were to find
18 here that the existing boundaries of the KGB satisfy all applicable borough boundary
19 standards, such a finding might be construed in a prejudicial fashion with respect to the
20 KGB's annexation petition. On the other hand, if the Commission were to defer action
21 on the pending Ketchikan consolidation proposal until the KGB annexation proposal is
22 addressed, it would substantially delay this proceeding.⁸ Such potential delays are un-
23 warranted and unnecessary. No public policy would be served by postponing the deci-

24
25 _____
26 (. . . continued)

27 vides the following essential services: Ketchikan Public Library; Ketchikan Museum, Totem Heritage Center, and His-
28 torical Commission; Ted Ferry Civic Center; Gateway Center for Human Services (providing mental health and sub-
29 stance abuse programs); Ketchikan General Hospital; Ketchikan Public Health Center (operated by the Alaska
30 Department of Health and Social Services, but funded, in part, by the City); Bayview Cemetery; solid waste disposal;
31 emergency 911 dispatch services; port; and harbors. . Under consolidation, those services would be provided on an
32 areawide basis. The KGB also provides the following essential services on a non-areawide basis: funding for solid
33 waste disposal; funding for the library; and wastewater collection, treatment and discharge. Upon consolidation,
34 those services would continue to be provided to areas currently served. Further, electric, telephone (local and intra-
state), Internet, and cable television utility service would also be provided by the consolidated borough to areas cur-
rently served.

⁷[Footnote 41 in original] The provisions of 3 AAC 110.060(c) create a presumption that the boundaries of
any new borough will conform to those of the existing regional educational attendance area (REAA). 3 AAC
110.060(c) reflects the fact that boundary standards set out in AS 14.08.031 for REAAs are similar to the boundary
standards set out in AS 29.05.031 for organized boroughs. However, because REAAs exist only in the unorganized
borough, 3 AAC 110.060(c) is either inapplicable to a borough consolidation proposal or the standard should be ap-
plied in the context of the borough school district boundary.

⁸It is also noteworthy that in April 2006, voters of greater Wrangell petitioned to incorporate a borough with
boundaries partially overlapping the area petitioned for annexation by the KGB. The KGB proposal seeks annexation
using the legislative review method under art. X, sec. 3 of Alaska's Constitution. Legislative review boundary
changes may be proposed to the Legislature by the Commission only during the first ten days of a regular session.
Legislative decisions regarding such are rendered within a subsequent 45-day period. If the Commission decision
regarding the KGB annexation and Wrangell borough incorporation proposals are not made by the first 10 days of the
2007 regular session of the Legislature, the outcome of the legislative review proposal might not be final until 2008.

1 sion on consolidation. The Petitioner and voters of the KGB are entitled to timely action
2 on their proposal. The Commission finds that no harm would result in proceeding with
3 the consolidation proposal before the KGB annexation proposal is considered. The
4 Commission takes solace in the fact that formal proposals are pending before that
5 Commission that will provide for a review of the existing boundaries of the KGB in the
6 foreseeable future.

7
8 Given the above, the Commission finds that the boundaries of the existing
9 KGB, for purposes of the pending consolidation proposal, embrace an area and popula-
10 tion with common interests to the maximum degree possible as required by art. X,
11 sec. 3 of the Alaska Constitution. The Commission finds further that those boundaries
12 encompass a population that is interrelated and integrated as to its social, cultural, and
13 economic activities as required by AS 29.05.031(a)(1) and 3 AAC 110.045(a) and is
14 also interrelated and integrated as to its social, cultural, and economic characteristics as
15 further required by 3 AAC 110.045(a). The Commission also finds that the existing
16 boundaries of the KGB include at least two communities, Ketchikan and Saxman, as
17 required by 3 AAC 110.045(b). Additionally, the boundaries of the KGB are found by
18 the Commission to conform generally to natural geography and include all areas neces-
19 sary for full development of essential municipal services as required by
20 AS 29.05.031(a)(2) and 3 AAC 110.060(a). Further, the Commission finds that the ex-
21 isting KGB boundaries do not extend into the model borough boundaries of another re-
22 gion in conformance with 3 AAC 110.060(b). The Commission notes that the existing
23 KGB boundaries conform to the boundaries of the existing regional (borough) school
24 district in accordance with the intent of 3 AAC 110.060(c). The Commission finds that
25 the existing KGB boundaries encompass a contiguous area that does not contain en-
26 claves in accordance with 3 AAC 110.060(d) and do not overlap the boundaries of an
27 existing organized borough in accordance with 3 AAC 110.060(e). Based on the fore-
28 going, the Commission concludes that the pending consolidation proposal meets all ap-
29 plicable boundary standards.

30
31
32
33
34 Part 4. The Population of the Proposed Consolidated Borough Is Large and Stable
Enough to Support Borough Government.

1 AS 29.05.031(a)(1) and 3 AAC 110.050(a) require that the population of a
2 proposed borough be large and stable enough to support borough government. Addi-
3 tionally, 3 AAC 110.050(b) creates a presumption that at least 1,000 permanent resi-
4 dents must live in the proposed borough. Commerce addressed these standards on
5 pp. 71 – 73 of its *Preliminary Report* and affirmed that review and analysis in its *Final*
6 *Report*. Based on its review of the facts in this matter, Commerce concluded that the
7 population size and stability standards were satisfied. The Commission concurs with
8 Commerce’s analysis of those standards and adopts that analysis by reference for pur-
9 poses of this decisional statement.

11 It is noteworthy that the population size and stability requirements of
12 AS 29.05.031(a)(1) are substantially the same as those that were in place when the
13 KGB was formed in 1963.⁹ During the 1963 KGB incorporation proceedings, the Local
14 Affairs Agency¹⁰ reported to the Commission as follows regarding the population of the
15 proposed borough:

17 Information was requested from the Director of the Bureau of Vital Statis-
18 tics, Department of Health and Welfare, as to the estimated census of the
19 area. From the 1960 census figures available, the area contains a popula-
20 tion in excess of 8,874 persons, 277 of which are military personnel. This
21 includes 6,483 persons in the City of Ketchikan and 2,391 persons in the
22 Ketchikan Independent School District outside the city. Exact population
23 figures for that portion of the proposed borough outside the school district
24 are not available. The population, however, is less than 100 persons.
25 The 1960 census population for old Election District #2, minus the Ketchi-
26 kan Independent School District and the communities of Ketchikan, Hyder,
27 Metlakatla, and Annette, was only 126.

28 The population within the proposed borough area has increased since
29 1960. No reliable figures on population growth, however, are available.

30 *Report to the Local Boundary Commission on a Proposal to Incorporate an Organized*
31 *Borough in the Ketchikan Area*, Local Affairs Agency, May 1963, p. 1.

32 As noted previously, the 2005 estimated population of the KGB was
33 13,125. That figure is obviously well above the minimum 1,000 person threshold set out
34 in 3 AAC 110.050(b).

In 2005, the KGB was the seventh most populous of Alaska’s
16 organized boroughs. The population of organized boroughs ranged from a low of
618 (Yakutat) to a high of 278,241 (Anchorage).

⁹Former AS 07.10.030(1) stated, in relevant part, “The population . . . shall be large and stable enough to warrant and support the operation of organized borough government.”

¹⁰Predecessor agency serving as staff to the Commission.

1 The 2005 population mean of the 16 organized boroughs was 36,392.
 2 That figure was skewed by the Anchorage borough, which accounted for 47.8 percent of
 3 Alaska's organized borough population. Without the Anchorage borough, the 2005
 4 population mean of the remaining 15 organized boroughs was 20,269. The 2005 me-
 5 dian population of all 16 organized boroughs was 8,135.

6 Based on the foregoing, the Commission concurs with Commerce that the
 7 population of the proposed consolidated borough is certainly large enough to support
 8 borough government.
 9

10 In terms of population stability, the following table lists the annual popula-
 11 tion of the KGB for each of the past 36 years.

12

13 **KGB Population 1970 - 2005**

14	Year	Population	Year	Population
15	1970	10,041	1988	13,319
16	1971	10,600	1989	13,566
17	1972	10,500	1990	13,828
18	1973	10,700	1991	14,255
19	1974	11,000	1992	14,636
20	1975	11,500	1993	14,716
21	1976	11,400	1994	14,751
22	1977	11,300	1995	14,764
23	1978	11,300	1996	14,654
24	1979	11,100	1997	14,500
25	1980	11,316	1998	14,143
26	1981	12,131	1999	13,961
27	1982	12,682	2000	14,070
28	1983	13,561	2001	13,748
29	1984	13,678	2002	13,683
30	1985	13,304	2003	13,685
31	1986	13,221	2004	13,093
32	1987	12,964	2005	13,125

33 From 1970 – 2005, the KGB population ranged from a low 10,041 (1970) to a
 34 high of 14,764 (1995). The estimated number of residents in the KGB in 2005 (13,125)
 was 1,639 (11.1 percent) less than the 1995 peak.

The KGB population losses since the mid-1990s are generally attributed to declines in southeast Alaska's timber industry and, in particular, the closure of the Ketchikan Pulp Company operations in March 1997. The latter resulted in the loss of nearly 500 jobs.

The following table shows the changes in the population of the KGB in both absolute and relative terms in each of the last 10 years. After the peak in 1995, the population of the KGB declined in each of the years through 1999. In 2000, the

1 population increased slightly. Since the 2000 federal census, the estimated population
 2 of the KGB has declined in three of the past five years. Two of the years saw sharp re-
 3 ductions. The net change between 2000 and 2005 was a loss of 945 residents
 4 (6.7 percent).

5
 6 **Change in KGB Population from 1996 – 2005**

8	Year	Population	Change from Prior Year (Absolute)	Change from Prior Year (Relative)
9	1996	14,654	-110	-0.75%
10	1997	14,500	-154	-1.05%
11	1998	14,143	-357	-2.46%
12	1999	13,961	-182	-1.29%
13	2000	14,070	109	0.78%
	2001	13,748	-322	-2.29%
	2002	13,683	-65	-0.47%
	2003	13,685	2	0.01%
	2004	13,093	-592	-4.33%
	2005	13,125	32	0.24%

14 While the population of the KGB has declined overall in recent years, in-
 15 cluding a loss of 592 residents (4.33 percent) in 2004, optimism exists that the popula-
 16 tion loss has bottomed out. A recent KGB publication, *Economic Indicators – 2005*,
 17 predicts that recent losses in the local economy and population will be reversed, particu-
 18 larly as a result of a planned \$65 million Ketchikan Shipyard completion project and the
 19 potential \$315 million Gravina Bridge construction project. The publication notes that
 20 full-time employment at the shipyard is anticipated to increase from the present level of
 21 100 jobs to over 300 jobs.

22
 23
 24 Recent population declines do not generate concerns on the part of
 25 Commission in terms of the stability of the population of the proposed consolidated bor-
 26 ough. The discussion below regarding the economy of the proposed consolidated bor-
 27 ough supports a conclusion that there is reason to be optimistic concerning future
 28 population trends. Consequently, the Commission concludes that the proposed con-
 29 solidated borough has a population large and stable enough to satisfy the requirements
 30 set out in AS 29.05.031(a)(1) and 3 AAC 110.050.

31
 32 Part 5. The Economy of the Proposed Consolidated Borough Includes the Human and
 33 Financial Resources Capable of Providing Municipal Services.

34 AS 29.05.031(a)(3) provides that the Commission may approve the con-
 solidation petition only if it determines that the economy of the proposed consolidated

1 borough includes the human and financial resources capable of providing municipal
2 services. The provisions of 3 AAC 110.055 require that those resources must be capa-
3 ble of providing *essential* borough services *on an efficient, cost-effective level*.

4 In applying these standards, the Commission is required to consider a
5 number of factors. Those include the reasonably anticipated functions, expenses, and
6 income of the proposed borough; the ability of the proposed borough to generate and
7 collect local revenue; and the feasibility and plausibility of the anticipated operating and
8 capital budgets through the third full fiscal year of operation. The Commission is also
9 required to consider the economic base; property valuations; land use; existing and rea-
10 sonably anticipated industrial, commercial, and resource development for the proposed
11 borough; and personal income of residents of the proposed borough. Moreover, the
12 Commission may consider other relevant factors, including the need for and availability
13 of employable skilled and unskilled persons to serve the proposed borough and the rea-
14 sonably predictable level of commitment and interest of the population in sustaining a
15 borough government. In its *Preliminary Report*, Commerce concluded that the stan-
16 dards set out in AS 29.05.031(a)(3) and 3 AAC 110.055 regarding the human and fi-
17 nancial resources are fully satisfied by the Amended Petition based on the following
18 analysis.
19
20

21 A. The Reasonably Anticipated Functions of the Proposed Consolidated Bor-
22 ough
23

24 The Amended Petition provides that the consolidated borough would pro-
25 vide the following 17 essential areawide services and facilities:

- 26 1. education;
- 27 2. assessment and collection of property, sales, and transient occu-
28 pancy taxes;
- 29 3. platting, planning, and land use regulation;
- 30 4. animal control;
- 31 5. economic development;
- 32 6. public transportation;
- 33 7. parks and recreation;
- 34 8. Ketchikan Public Library;
9. Ketchikan Museum, Totem Heritage Center, and Historical Commis-
sion;
10. Ted Ferry Civic Center;
11. Gateway Center for Human Services, which provides mental health
and substance abuse programs;
12. Ketchikan General Hospital (a facility owned by the City, which pro-
vides acute and long-term care);
13. Ketchikan Public Health Center (operated by the Alaska Department
of Health and Social Services, but funded, in part, by the City);

- 1 14. Bayview Cemetery;
- 2 15. solid waste disposal;
- 3 16. emergency 911 dispatch services; and
- 4 17. port and harbors, including six boat harbors (Bar Harbor South, Bar Harbor North, Thomas Basin, Casey Moran, Knudson Cove, and Hole-In-The-Wall) three launch ramps, and the Port of Ketchikan).

5 Additionally, the consolidated borough would provide for collection, treat-
6 ment, and discharge of wastewater on a nonareawide basis. Further, the consolidated
7 borough would maintain Ketchikan Public Utilities (KPU) services (electric, local and in-
8 trastate telephone, Internet, and cable television utility service) throughout its certifi-
9 cated service areas.

10
11 Lastly, the consolidated borough would provide the following nine essen-
12 tial services within the proposed new Gateway Service Area (existing City):

- 13 1. police service;
- 14 2. fire suppression;
- 15 3. emergency medical service;
- 16 4. public works engineering;
- 17 5. street and road construction and maintenance (including street light-
18 ing);
- 19 6. solid waste collection;
- 20 7. public works facility and vehicle maintenance;
- 21 8. building code enforcement; and
- 22 9. sewer and septic service.

23 Moreover, the consolidated borough would continue to provide the same
24 essential services currently provided by the KGB in the 10 existing service areas.

25 Those service areas consist of the following:

- 26 1. Forest Park Service Area (sewer; road construction and mainte-
27 nance);
- 28 2. Gold Nugget Service Area (sewer; road construction and mainte-
29 nance);
- 30 3. Mud Bight Service Area (road construction and maintenance ser-
31 vices; also authorized to provide, but not currently providing, water
32 supply, treatment and distribution services);
- 33 4. South Tongass Service Area (fire protection and emergency medical
34 services (EMS));
5. North Tongass Fire and EMS Service Area;
6. Waterfall Creek Service Area (sewer; road construction and mainte-
nance);
7. Nichols View Service Area (road construction and maintenance;
minimal water service);
8. Deep Bay Service Area: (road construction and maintenance; con-
struction, maintenance, operation, and regulation of docks and other
marina facilities);
9. Long Arm Service Area (road construction and maintenance; con-
struction, maintenance, operation, and regulation of docks and other
marina facilities); and
10. Vallenar Bay Service Area (road construction and maintenance).

1 B. The Reasonably Anticipated Expenses of the Proposed Borough.

2 Projected expenditures of the proposed consolidated borough during the
3 first three years are set out in Exhibit F-1 of the Amended Petition. State law (3 AAC
4 110.420) requires that all petitions to the LBC include three-year budget projections.
5

6 In most instances, the three-year projections are necessary to gain a
7 proper perspective of the long-term forecast for the proposal because transition meas-
8 ures can create significant fluctuations during the initial years. For example, a newly
9 formed borough has the ability under AS 29.05.130 – 29.05.140 to defer responsibility
10 for assumption of schools for as long as two years. Moreover, once the new borough
11 assumes responsibility for education, it has the ability under AS 14.17.410(e) to phase
12 in required local contributions for schools. Additionally, a new borough is entitled to or-
13 ganization grants under AS 29.05.190 in each of the first three years. Lastly, a new
14 borough is subject to transitional measures under AS 43.75.130(d) concerning State
15 shared fisheries business taxes.
16

17 However, such transitional provisions do not apply to the proposed con-
18 solidation of the City and the KGB and that the “Year One” projections set out in Ex-
19 hibit F-1 are likely to be the most accurate. Commerce focused on Year One
20 expenditure and revenue projections.
21

22 The Amended Petition projects that Year One expenditures in the General
23 Fund will total nearly \$22 million. By far, the largest component of the General Fund
24 expenditures is the nearly \$8.4 million allocated for schools. The figure represents ap-
25 proximately 38 percent of total General Fund expenditures. Included in the \$8.4 million
26 is the consolidated borough’s four-mill equivalent “local contribution” for schools re-
27 quired under AS 14.17.410(b)(2). For FY 2006, that required local contribution amounts
28 to \$4,406,742.¹¹ The additional \$4 million is a voluntary contribution allowed under
29 AS 14.17.410(c) to supplement education funding available from the State and federal
30 governments. The General Fund of the proposed consolidated borough would also
31 support 911 emergency dispatch, public health, animal control, public works, transit, li-
32
33
34

¹¹The required local contribution under AS 14.17.410(b)(2) does not increase the level of funding for the borough school district. Instead, it merely offsets a reduction in State financial aid imposed by the State exclusively on borough and city school districts (but not REAAs). In that regard, the required local contribution is, in effect, a State tax levied exclusively on organized boroughs and home-rule and first-class cities in the unorganized borough.

brary, museum, recreation, civic center, borough attorney, borough clerk, borough manager, planning and zoning, and the mayor and assembly.

Total expenditures and net transfers out of all 34 funds of the proposed consolidated borough for Year One are projected to be \$93,391,830. A summary of those projected expenditures and net transfers is provided in the following figure.

\$93,391,830 in Projected Expenditures and Net Transfers Out of Funds During the First Year		
Fund	Year One	
General Fund	\$21,925,036	
Gateway Service Area	\$9,837,609	
Hospital Sales Tax	\$2,663,424	
Transient Occupancy Tax (expenditures)	\$268,158	
Transient Occupancy Tax (net transfers out)	\$114,444	
Recreation Sales Tax	\$1,089,914	
Solid Waste Services	\$1,854,321	
Wastewater Services	\$2,745,046	
GSA Economic & Parking Development	\$0	
Areawide Economic Development	\$0	
Ketchikan Boat Harbor	\$963,340	
Mental Health	\$2,102,332	
Subsistence Abuse	\$1,512,711	
Special Assessment Guarantee	\$0	
US Marshall Property Seizure	\$0	
State and Federal Grants	\$25,000	
Cemetery Operations & Maintenance (transfers from)	\$5,202	
Cemetery Development	\$25,000	
Cemetery Endowment (transfers from)	\$5,202	
Community Facilities Development	\$0	
Land Trust Repair and Maintenance (expenditures)	\$738,065	
Land Trust Repair and Maintenance (net transfers out)	\$364,140	
North Tongass Fire and EMS SA	\$473,690	
South Tongass SA	\$418,998	
Nichols View SA	\$500	
Waterfall SA	\$8,600	
Mud Bight SA	\$500	
Forest Park SA	\$60,822	
Gold Nugget SA	\$10,175	
GO Debt Service (School Bonds)	\$4,419,378	
Major Capital Improvements	\$0	
Self Insurance (expenditures)	\$3,489,174	
Self Insurance (net transfers out)	\$72,828	
Port	\$2,077,836	
KPU	\$32,036,280	
Airport	\$3,612,047	
Passenger Facilities	\$472,058	
Total	\$93,391,830	
N.B. SA means service area		

C. The Reasonably Anticipated Income of the Proposed Borough.

Projected revenues of the proposed consolidated borough during the first three years are shown in Exhibit F-1 of the Amended Petition.

Enterprise operations account for much of the projected revenue of the proposed consolidated borough. For example, KPU operations represent nearly 31 percent of all projected income of the proposed consolidated borough. Operations relating to solid waste, wastewater, harbors, port, and airport account for nearly 17 percent of all revenues. General Fund property and sales taxes make up roughly 15 percent of projected revenues, while other General Fund revenues account for an

1 additional 6 percent of the total financial resources. Property and sales taxes in the
 2 proposed Gateway Service Area (existing City) comprise approximately 9 percent of all
 3 revenues; other sources of revenues account for an additional 2 percent of the re-
 4 sources for that service area. The “hospital sales tax,” recreation sales tax, school bond
 5 sales tax, and transient occupancy tax account for about 7.5 percent of projected reve-
 6 nues. The remaining 12.5 percent or so of revenues is projected to come from a variety
 7 of sources.
 8

9 Total revenues and net transfers into funds for Year One are projected to
 10 be \$99,854,406. A summary of those projected revenues and net transfers is provided
 11 in the following figure.

**\$99,854,406 in Projected Revenues and Net Transfers Into Funds During
 the First Year**

Fund	Year One
General Fund property taxes	\$10,371,431
General Fund sales taxes	\$5,154,182
General Fund (other revenues)	\$5,511,524
General Fund (net transfers into)	\$1,394,136
Gateway Service Area property taxes	\$3,089,416
Gateway Service Area sales taxes	\$5,944,223
Gateway Service Area (other revenues)	\$1,948,379
Hospital Sales Tax	\$2,605,134
Transient Occupancy Tax	\$380,688
Recreation Sales Tax	\$1,034,086
Solid Waste Services	\$1,812,377
Wastewater Services	\$2,637,620
GSA Economic & Parking Development	\$1,200
Areawide Economic Development	\$571,500
Ketchikan Boat Harbor (revenues)	\$889,010
Ketchikan Boat Harbor (net transfers into)	\$78,030
Mental Health (revenues)	\$1,780,497
Mental Health (net transfers into)	\$338,130
Subsistence Abuse (revenues)	\$1,017,444
Subsistence Abuse (net transfers into)	\$514,998
Special Assessment Guarantee	\$2,550
US Marshall Property Seizure	\$125
State and Federal Grants	\$25,000
Cemetery Operations & Maintenance	\$7,500
Cemetery Development	\$16,900
Cemetery Endowment	\$2,500
Community Facilities Development	\$2,000
Land Trust Repair and Maintenance	\$1,110,839
North Tongass Fire and EMS SA	\$495,772
South Tongass SA	\$446,273
Nichols View SA	\$400
Waterfall SA	\$5,720
Mud Bight SA	\$8,700
Forest Park SA	\$54,139
Gold Nugget SA	\$7,982
GO Debt Service (School Bonds)	\$3,518,832
GO Debt Service (School Bonds – net transfers into)	\$899,946
Major Capital Improvements	\$68,347
Self Insurance	\$3,401,524
Port	\$8,057,510
KPU	\$30,737,682
Airport	\$3,435,791
Passenger Facilities	\$474,369
Total	\$99,854,406

N.B. SA means service area

Local Boundary Commission
 550 West Seventh Avenue, Suite 1700
 Anchorage, Alaska 99501
 (907) 269-4560 (tel); (907) 269-4539 (fax)

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D. The Ability of the Proposed Borough to Generate and Collect Local Revenue,

Since its incorporation in September 1963, the KGB has been responsible for the assessment and collection of taxes levied within its boundaries. The KGB has long demonstrated its capacity to generate and collect local revenue.

E. The Feasibility and Plausibility of the Anticipated Operating and Capital Budgets Through the Third Full Fiscal Year of Operation.

The KCC, with extensive cooperation and support from officials of the City and KGB, devoted extraordinary time and effort toward constructing a three-year budget for the proposed consolidated borough. The Commission finds the budget in the Amended Petition to be a thorough and credible proposal.

As reflected above, expenditures and net transfers out of funds are projected to be \$93,391,830. Revenues and net transfers into funds are projected to be \$99,854,406. The difference between those two figures represents an overall projected surplus of \$6,462,576.

The table on the following page lists the surplus or deficit projected during Year One for each of the 34 funds listed in the Amended Petition.

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Projected "Year One" Surpluses and Deficits

Surplus (deficit)	Year One
General Fund	\$506,237
Gateway Service Area	\$1,144,409
Hospital Sales Tax	-\$58,290
Transient Occupancy Tax	-\$1,914
Recreation Sales Tax	-\$55,828
Solid Waste Services	-\$41,944
Wastewater Services	-\$107,426
GSA Economic & Parking Development	\$1,200
Areawide Economic Development	\$571,500
Ketchikan Boat Harbor	\$3,700
Mental Health	\$16,295
Subsistence Abuse	\$19,731
Special Assessment Guarantee	\$2,550
US Marshall Property Seizure	\$125
State and Federal Grants	\$0
Cemetery O&M	\$2,298
Cemetery Development	-\$8,100
Cemetery Endowment	-\$2,702
Community Facilities Development	\$2,000
Land Trust Repair and Maintenance	\$8,634
North Tongass Fire and EMS SA	\$22,082
South Tongass SA	\$27,275
Nichols View SA	-\$100
Waterfall SA	-\$2,880
Mud Bight SA	\$8,200
Forest Park SA	-\$6,683
Gold Nugget SA	-\$2193
GO Debt Service (School Bonds)	-\$600
Major Capital Improvements	\$68,347
Self Insurance	-\$160,478
Port	\$5,979,674
KPU	-\$1,298,598
Airport	-\$176,256
Passenger Facilities	\$2,311
Net	\$6,462,576

F. The Economic Base of the Proposed Borough.

The table on the following page presents 2000 census data regarding the occupations of employed civilians in the KGB at least 16 years of age. Data for the entire state are also provided for comparison.

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**OCCUPATION OF EMPLOYED CIVILIAN POPULATION 16+ YEARS OLD
 KGB COMPARED TO ALASKA
 2000 Census Data**

Occupation	Ketchikan Employed Population	Em- Civilian	Percentage of Ketchikan Employed Population	Percentage of Alaska Employed Civilians Popula- tion
Management, professional, and related occupations	2,003		28.5%	34.4%
Service occupations	1,194		17.0%	15.6%
Sales and office occupations	1,934		27.6%	26.1%
Farming, fishing, and forestry occupations	158		2.3%	1.5%
Construction, extraction, and maintenance occupations	777		11.1%	11.6%
Production, transportation, and material moving occupations	951		13.6%	10.8%

In addition to the information provided in the table above, the KGB *Economic Indicators 2005* (pp. vii – viii) provide the following contemporary overview of the economic base of the proposed borough.

Ketchikan’s population, employment and personal income grew through the early 1990’s then declined through 2004. During this time the impacts of the Ketchikan Pulp Co. mill closing and the general decline in Alaska’s timber industry were partially offset by a healthy and stable fishing industry, growth in Ketchikan Shipyard employment, and a major increase in cruise ship visitor traffic and related gross business sales.

As shown in Table and Figure 1, Ketchikan’s population and total employment increased substantially from 1990 through 1995, then decreased beginning in 1996. Population declined to approximately its 1990 level by mid-1999 increasing slightly in Census 2000, declining substantially again through 2004, below its 1990 level. Total employment declined to 95.2% of its 1990 level in 2000, with a further small decline through 2003. Insured wage and salary employment^[12] declined to 90.2% of its 1990 level in 2000, and to 81.7% of its 1990 level in 2004.

From 1990 through 1995 total employment increased in spite of a gradual decline in manufacturing employment, such as in the timber industry. During this period, growth in other sectors of the local economy outweighed timber’s de-

¹²[Footnote “a” in original] “Total Employment,” and “Total Personal Income”, reported by the U.S. Department of Commerce, Bureau of Economic Analysis, includes all wage and salary employment and income, plus domestic workers, piece workers such as timber fallers, proprietors, fishers and military personnel. “Insured Wage and Salary Employment and Earnings”, reported by the Alaska Department of Labor, includes only employees eligible for Unemployment Insurance, excluding domestic workers, piece workers, proprietors, fishers and military personnel.

1 cline. From 1995 through 1998, timber employment declined more severely;
2 including the Ketchikan Pulp Co. mill closure a total of 558 manufacturing jobs
3 were lost from 1995 through 1998, a reduction of 37% in this sector. Manufac-
4 turing employment increased in 1999, to almost its 1997 level, then declined
5 again in 2000, averaging just 54.1% of its 1990 level in that year. Since 2000
6 manufacturing employment has declined still further, to 31.0% of its 1990
7 level.

8 The severe loss of manufacturing employment from 1995 through 1999 led to
9 job loss in other sectors as well: Total insured wage and salary employment
10 dropped by 956 from 1995 through 1998, a reduction of 12.0% recovering 99
11 jobs by 2000. The percentage loss of employment in manufacturing was
12 somewhat mitigated by better performance of non-timber industries especially
13 transportation equipment, which increased from 26 in 1996 to 114 in 2001.
14 However, these modest gains have not offset the additional decline in the tim-
15 ber industry since 2000.

16 Table and Figure 2 illustrate that total personal income declined along with
17 employment from 1996 through 1999 then increased substantially through
18 2003. Insured Wage and Salary Earnings^[13] fell from its peak in 1995 to ap-
19 proximately its 1990 level in 2000 falling again through 2003, then increasing
20 slightly over its 1990 level by 2004. But personal income from manufacturing
21 decreased 38.7% from 1995 through 1998, and further decreased 43.4%
22 through 2004.

23 Loss of total personal income to residents was mitigated by a substantial re-
24 duction in employment of non-residents, by a large increase in transfer pay-
25 ments, including unemployment insurance, and by a continuing increase in
26 proprietors' income. From 1995 through 1999, total personal income declined
27 only 3.1%, but increased 15.2% from 1999 through 2004. Table 3 and Figures
28 3(a) and 3(b) indicate total personal income per capita for the years 1990-
29 2003 and average annual insured wage and salary earnings for the years
30 1990- 2004. In current dollars each of these measures increased from 1990
31 through 2004. In constant dollars, deflated using the Anchorage Consumer
32 Price Index, All Urban Consumers (Anchorage CPI (U)), per capita income de-
33 clined 5% from 1990 through 1999, but increased 13.6% from 2000 through
34 2003. A decline of 14.9% was indicated in average insured wage and salary
earnings per wage earner from 1990 through 2000. In the private sector from
1990 through 2000, these earnings declined 17.7%, in the public sector 4.0%.
From 2000 through 2004, private sector earnings have remained stable-to-
declining, while public sector earnings have increased slightly.

Gross business sales are a leading indicator of local economic performance.
These data are reported quarterly, and usually can be compiled within six to
ten weeks of the end of the quarter reported. These data correlate generally
over the long term with total personal income and more closely in the short
term with insured wage and salary earnings. These data are reported on a
consistent basis from 1995 as summarized in Table and Figure 4. Comparing
gross business sales in 1995 with subsequent years indicates a sharp non-
recurring decline after 1995; construction of Ketchikan High School greatly af-
fected increased gross sales by contractors in 1995. For the years 1996
through 2000, the period encompassing the pulp mill closing, annual gross
sales increased 13.9%. During the years 1996 through 2000 gross sales for
the first two quarters increased 7.7%, but fell sharply in 2001 ending that year
at only 87.9% of their 1996 level, a further decline was experienced in 2002,
followed by a 14.4% increase in 2003 and a further 14.7% increase in 2004.
Annual gross sales reflect the impact of increasing sales of goods and ser-
vices to visitors; first and second quarter sales, less affected by visitors, were
stable-to-declining from 1995 through 2003, but increased sharply in 2004 and
2005, an increase attributable to the second quarter only

¹³[Footnote a in original]

1 G. Property Valuations for the Proposed Borough.

2
3 The 2005 assessed value of taxable property in the KGB was
4 \$1,024,185,800. The 2006 preliminary figure is \$1,095,500,000. The following table
5 shows the KGB assessed values since 2000, including the 2006 preliminary figure. The
6 table also shows the change from the prior year, both in absolute and relative terms.
7

8 While the assessed value of the KGB dropped in 2002, 2003, and 2004,
9 the value has since rebounded. The 2006 preliminary figure represents an all-time high,
10 which is \$51,892,700 (5 percent) greater than the previous high figure (2001).
11

12 Assessed Value of Property in the KGB
13 2000 – 2006 (preliminary)

14 Year	14 Assessed Value	14 Change From Prior Year	14 Percentage Change From Prior Year
15 2000	\$1,014,686,000	NA	NA
16 2001	\$1,043,607,300	\$28,921,300	2.85%
16 2002	\$1,022,874,200	-\$20,733,100	-1.99%
17 2003	\$1,001,896,000	-\$20,978,200	-2.05%
17 2004	\$986,731,300	-\$15,164,700	-1.51%
18 2005	\$1,024,185,800	\$37,454,500	3.80%
18 2006 (preliminary)	\$1,095,500,000	\$71,314,200	6.96%

19 Source: KGB Assessor

20 The previous table shows the values for the entire KGB. The table below
21 shows the assessed value of taxable property in the City in each year since 2000. The
22 2006 preliminary figure is also included. Changes from each prior year are also shown.
23

24 As was the case for the entire KGB, the assessed values for the City
25 dropped in 2002, 2003, and 2004, but have since rebounded. The 2006 preliminary fig-
26 ure represents an all-time high. In this case, the 2006 preliminary figure is which is
27 \$26,783,400 (4.4 percent) greater than the previous high figure (2001).
28

29 Assessed Value of Property in the City
30 2000 – 2006 (preliminary)

31 Year	31 Assessed Value	31 Change From Prior Year	31 Percentage Change From Prior Year
32 2000	\$535,803,200	NA	NA
32 2001	\$607,216,600	\$71,413,400	13.33%
33 2002	\$596,304,300	-\$10,912,300	-1.80%
33 2003	\$589,537,900	-\$6,766,400	-1.13%
34 2004	\$583,361,200	-\$6,176,700	-1.05%
34 2005	\$597,076,700	\$13,715,500	2.35%
2006 (preliminary)	\$634,000,000	\$36,923,300	6.18%

Source: KGB Assessor

1 The assessed values shown in the preceding tables reflect only the value
2 of taxable property. Excluded from the figures is the value of property that is exempt
3 from taxation under State law (AS 29.45.030). Also excluded is the value of property
4 that the KGB and City, in their discretion, have exempted from taxation as allowed by
5 AS 29.45.050. Optional exemptions granted by the KGB are set out in Sec-
6 tion 45.11.025 of the KGB Code of Ordinances. Those include, for example, business
7 inventories, certain properties used exclusively for community purposes, and certain
8 properties used in manufacturing. As allowed by AS 29.45.055, the KGB also levies a
9 flat tax on boats and vessels.
10

11 Given the broad discretion among municipalities in terms of the optional
12 property tax exemptions allowed under AS 29.45.050, Commerce is required by
13 AS 14.17.510 and AS 29.60.030 to determine the "full and true value" of property in all
14 organized boroughs and some cities. Those determinations provide for uniform com-
15 parisons that are utilized in funding calculations under Alaska's education foundation
16 formula. The State Assessor describes the full value determination as follows:
17

18 In brief, the Full Value Determination (FVD) is the sum total of the full and true
19 value established for every piece of taxable real and personal property within a
20 municipality's boundary regardless of any optional exemption which may have
21 been enacted by local ordinance. AS 29.45.110 specifies that the full and true
22 value is the "estimated price that the property would bring in an open market
23 and under the then prevailing market conditions in a sale between a willing
24 seller and a willing buyer both conversant with the property and with the pre-
25 vailing general price levels." This section also requires the assessor to assess
26 property at its full and true value as of January 1 of the assessment year.

24 *Alaska Taxable 2005*, p. 7.

25 The 2005 KGB assessed value figure of \$1,024,185,800 compares to the
26 2005 KGB full value figure of \$1,178,492,700. The 2005 full value figure is
27 \$154,306,900 (15.1 percent) greater than the 2005 assessed value figure.

28 The table below compares the 2005 full and true value of taxable property
29 among all 16 organized boroughs. In per capita terms, the 2005 full value of taxable
30 property in the KGB was \$89,790 per resident. Comparable data for other boroughs
31 ranged from a high of \$1,502,630 per resident in the North Slope Borough to \$33,033
32 per resident in the Lake and Peninsula Borough. The average for all boroughs was
33 \$105,505 per resident. The median figure is \$88,601. The figure for the KGB is \$1,189
34 (1.3 percent) greater than the median.

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**2005 Full Value for All Organized Boroughs in Alaska
 (ranked in descending order of per capita value)**

Borough	2005 Full Value Determination	2005 Population	2005 Per Capita Full Value
North Slope Borough	\$10,359,130,075	6,894	\$1,502,630
Bristol Bay Borough	\$132,182,200	1,073	\$123,189
City and Borough of Juneau	\$3,522,159,000	31,193	\$112,915
Kenai Peninsula Borough	\$5,766,580,547	51,224	\$112,576
Haines Borough	\$245,183,300	2,207	\$111,093
Municipality of Anchorage	\$25,077,495,890	278,241	\$90,129
City and Borough of Sitka	\$804,947,500	8,947	\$89,968
KGB	\$1,178,492,700	13,125	\$89,790
Denali Borough	\$159,351,900	1,823	\$87,412
City and Borough of Yakutat	\$52,065,800	618	\$84,249
Matanuska-Susitna Borough	\$6,049,408,756	74,041	\$81,703
Kodiak Island Borough	\$1,095,488,400	13,638	\$80,326
Fairbanks North Star Borough	\$6,458,961,200	87,650	\$73,690
Northwest Arctic Borough	\$382,139,300	7,323	\$52,183
Aleutians East Borough	\$96,072,577	2,659	\$36,131
Lake and Peninsula Borough	\$53,513,000	1,620	\$33,033
Total	\$61,433,172,145	582,276	\$105,505

Sources: 2005 full value determination from *Alaska Taxable 2005*, Commerce, January 2006;
 2005 population figures from Alaska Department of Labor and Workforce Development

With more than \$10.3 billion in taxable property related to the oil industry – nearly 17 percent of the total full value for all organized boroughs in Alaska – the North Slope Borough skews the per capita value figures. Additionally, it is noted that four boroughs (Denali, Northwest Arctic, Aleutians East, and Lake and Peninsula) do not levy property taxes.

The following table provides full value comparisons of the 11 organized boroughs exclusive of the North Slope Borough and the 4 boroughs that do not levy property taxes. With a per capita figure of \$89,790, the KGB is just slightly above the average of \$89,656 for the 11 boroughs listed in Table 2-8. In this case, the KGB is just under the median figure of \$89,968.

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2005 Full Value Selected Organized Boroughs in Alaska
 (ranked in descending order of per capita value)

Borough	2005 Full Value Determination	2005 Population	Per Capita Full Value
Bristol Bay Borough	\$132,182,200	1,073	\$123,189
City and Borough of Juneau	\$3,522,159,000	31,193	\$112,915
Kenai Peninsula Borough	\$5,766,580,547	51,224	\$112,576
Haines Borough	\$245,183,300	2,207	\$111,093
Municipality of Anchorage	\$25,077,495,890	278,241	\$90,129
City and Borough of Sitka	\$804,947,500	8,947	\$89,968
KGB	\$1,178,492,700	13,125	\$89,790
City and Borough of Yakutat	\$52,065,800	618	\$84,249
Matanuska-Susitna Borough	\$6,049,408,756	74,041	\$81,703
Kodiak Island Borough	\$1,095,488,400	13,638	\$80,326
Fairbanks North Star Borough	\$6,458,961,200	87,650	\$73,690
Total	\$50,382,965,293	561,957	\$89,656

Sources: 2005 full value determination from *Alaska Taxable 2005*, Commerce, January 2006; 2005 population figures from Alaska Department of Labor and Workforce Development

H. Land Use for the Proposed Borough.

Contemporary KGB planning documents offer the following overview of land ownership and management within the existing KGB:

The Ketchikan Gateway Borough covers approximately 1,752 square miles of land. The primary landowners or managers are the U.S. Forest Service (USFS), (Ketchikan Ranger District); the State of Alaska Department of Natural Resources (DNR), Division of Lands; the Alaska Mental Health Trust Authority; the Ketchikan Gateway Borough; the University of Alaska; and private (including Native Corporations). See *Map Figures 2.9 and 2.10*, Generalized Borough-wide Land Ownership-South and Generalized Borough-wide Land Ownership-North and *Map Figure 2.11*, Land Ownership Detail. Issues pertaining to specific land ownership rights persist since the reevaluation and reapportionment of the Alaska Mental Health Trust Authority lands approximately three years ago. Clearly defining some property boundaries and ownership in the Borough is problematic. The borough's 1996 Comprehensive Plan provides the following distribution of ownership in the borough:

Federal	94.63%
Native	2.87%
State	1.41%
Private	0.78%
Borough	0.38%
City	0.01%

Ketchikan Coastal Management Program, Volume 2: Final Draft Plan Amendment, p. 24, December 7, 2005.

The land ownership characteristics reflected above are typical for regions in southeast Alaska. Details of land ownership and use within the KGB are provided in the KGB's *Coastal Management Program Final Draft Plan Amendment*. An excerpt

1 from that document (pp. 25 – 34) detailing the land use in the KGB was included in the
 2 *Preliminary Report* as Appendix E.

3 I. Existing and Reasonably Anticipated industrial, Commercial, and Resource
 4 Development for the Proposed Borough.

5
 6 At the time of the 2000 census, it was reported that 7,017 KGB residents
 7 were at least 16 years of age and employed in the civilian workforce. The following ta-
 8 ble presents 2000 census data regarding the specific industries in which those workers
 9 were employed. Data for the entire state are also provided for comparison.
 10

**OCCUPATION BY INDUSTRY OF EMPLOYED CIVILIAN POPULATION
 16+ YEARS OLD
 KGB COMPARED TO ALASKA
 2000 Census Data**

Industry	Ketchikan Employed Civilian Population	Percentage of Ketchikan Employed Civilian Population	Percentage of Alaska Employed Civilian Population
Agriculture, forestry, fishing and hunting, and mining	330	4.7%	4.9%
Construction	557	7.9%	7.3%
Manufacturing	415	5.9%	3.3%
Wholesale trade	159	2.3%	2.6%
Retail trade	762	10.9%	11.6%
Transportation and warehousing, and utilities	764	10.9%	8.9%
Information	179	2.6%	2.7%
Finance, insurance, real estate, and rental and leasing	378	5.4%	4.6%
Professional, scientific, management, administrative, and waste management services	399	5.7%	7.6%
Educational, health and social services	1,323	18.9%	21.7%
Arts, entertainment, recreation, accommodation and food services	654	9.3%	8.6%
Other services (except public administration)	321	4.6%	5.6%
Public administration	776	11.1%	10.7%

27 The following table shows the classification (e.g., private wage and salary,
 28 and government) of the 7,017 KGB civilian workers in the KGB at the time of the last
 29 census. Data for the entire state are also provided for comparison. The figures for the
 30 KGB are virtually identical to those of the state as a whole.
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**CLASS OF WORKER OF EMPLOYED CIVILIAN POPULATION
 16+ YEARS OLD
 KGB COMPARED TO ALASKA
 2000 Census Data**

Classification	Ketchikan Employed Civilian Population	Percentage of Ketchikan Employed Civilian Population	Percentage of Alaska Employed Civilian Population
Private wage and salary workers	4,545	64.8%	64.9%
Government workers	1,886	26.9%	26.8%
Self-employed workers in own not incorporated business	566	8.1%	8.0%
Unpaid family workers	20	0.3%	0.3%

Existing and reasonably anticipated development in the KGB is summarized in the following excerpt from the KGB *Economic Indicators 2005* (pp. viii - ix).

Ketchikan's outlook for future growth and development provides a marked contrast to recent years' decline. Ketchikan's current short-term outlook includes the \$315 million Gravina Bridge construction project, to begin in 2007 and continue for three to four years.

It also includes the \$65 million Ketchikan Shipyard Completion project, also scheduled to begin by 2007 and continue for approximately seven years. These two major public sector construction projects are unprecedented in size for Ketchikan, and will have a significant short-term impact on its population, employment and personal income.

During the Ketchikan Shipyard Completion project, the shipyard's lessee and operator plans concurrent development of the yard's manufacturing capabilities. This major improvement will begin with construction of the "E-craft", an innovative vessel type now under contract with the U.S. Navy and the Matanuska-Susitna Borough. The Ketchikan Shipyard has also become one of the three U.S. West Coast yards qualified for U.S. Army shiprepair, and has to date completed its first refit contract on U.S. Army LSV landing ship. The yard has also just become a certified HUB-zone contractor, as a result of new federal legislation, which also extends this advantage to other Ketchikan firms. Following the yard's completion, with its expanding shiprepair and newbuilding orderbook, the operator expects to increase full-time employment from the present 100 jobs to over 300.

Concurrent development of long-term growth opportunities facilitated by the Gravina bridge project has not yet begun, however, it is clear that the bridge can provide basic assess necessary for development of the 120-acre South Gravina Fisheries Industrial Park, outlined in the Ketchikan Gateway Borough's Central Gravina and Airport Reserve Area Plan. The Gravina bridge will also facilitate expansion of Ketchikan International Airport's role in the economy of southern Southeast Alaska, enabling expansion of its use by general aviation and airmotive services.

Ketchikan's visitor industry is also capable of future growth, however its near-term outlook includes a decline of about 100,000 cruise visitors in 2006 and possible stabilization beyond that year. This adjustment results from competition from other ports, including Prince Rupert and Icy Strait Point, increasing use of Seattle as a cruise port of embarkation, which reduces foreign-flag

1 ship's availability in other U.S. ports, and an adjustment in cruise ship deploy-
2 ments to Alaska. Ketchikan's current port berthage and anchorage are also
3 fully utilized on certain days of the week during the peak cruise season.

4 J. Personal income of Residents of the Proposed Borough.

5 The U.S. Department of Commerce Bureau of Economic Analysis gathers
6 personal income data. The Alaska Department of Labor characterizes personal income
7 as "a good measure of economic wellbeing because it includes income generated
8 through work and investments, as well as transfer payments (essentially government
9 payments)." (*Economic Trends*, p. 4, Alaska Department of Labor and Workforce De-
10 velopment, November 2005.) The Bureau of Economic Analysis' formal definition of
11 *personal income* is:

12 [T]he income received by all persons from all sources. Personal income is the
13 sum of net earnings by place of residence, rental income of persons, personal
14 dividend income, personal interest income, and personal current transfer re-
15 cepts. Net earnings is earnings by place of work (the sum of wage and salary
16 disbursements (payrolls), supplements to wages and salaries, and proprietors'
17 income) less contributions for government social insurance, plus an adjust-
18 ment to convert earnings by place of work to a place-of-residence basis. Per-
19 sonal income is measured before the deduction of personal income taxes and
20 other personal taxes and is reported in current dollars (no adjustment is made
21 for price changes).

22 The following table shows the per capita personal income of residents of
23 the KGB from 1969 to 2003. Comparable data are provided for the entire state from
24 1969 to 2004. Since 1986, per capita income in the KGB has been higher than the fig-
25 ure for all of Alaska. In 2003, the latest year for which data are available for the KGB,
26 per capita personal income in the KGB was 16.1 percent higher than it was in the entire
27 state.
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**Per Capita Personal Income
KGB and Alaska
2004 – 1969**

Year	KGB	Alaska	Difference (KGB - Alaska)	Relative Difference
2004	NA	\$34,085	NA	NA
2003	\$38,343	\$33,015	\$5,328	16.1%
2002	\$37,237	\$32,316	\$4,921	15.2%
2001	\$36,568	\$31,704	\$4,864	15.3%
2000	\$34,389	\$29,867	\$4,522	15.1%
1999	\$31,799	\$28,100	\$3,699	13.2%
1998	\$31,506	\$27,560	\$3,946	14.3%
1997	\$31,258	\$26,759	\$4,499	16.8%
1996	\$31,192	\$25,805	\$5,387	20.9%
1995	\$31,377	\$25,504	\$5,873	23.0%
1994	\$30,397	\$25,050	\$5,347	21.3%
1993	\$30,029	\$24,538	\$5,491	22.4%
1992	\$28,415	\$23,786	\$4,629	19.5%
1991	\$27,849	\$23,161	\$4,688	20.2%
1990	\$28,258	\$22,804	\$5,454	23.9%
1989	\$25,241	\$21,628	\$3,613	16.7%
1988	\$23,303	\$19,907	\$3,396	17.1%
1987	\$22,710	\$19,357	\$3,353	17.3%
1986	\$21,643	\$19,807	\$1,836	9.3%
1985	\$20,434	\$20,321	\$113	0.6%
1984	\$18,109	\$19,503	-\$1,394	-7.1%
1983	\$18,164	\$19,174	-\$1,010	-5.3%
1982	\$17,610	\$18,538	-\$928	-5.0%
1981	\$15,978	\$16,569	-\$591	-3.6%
1980	\$16,447	\$14,866	\$1,581	10.6%
1979	\$14,146	\$13,219	\$927	7.0%
1978	\$12,457	\$12,501	-\$44	-0.4%
1977	\$11,321	\$12,405	-\$1,084	-8.7%
1976	\$10,518	\$12,125	-\$1,607	-13.3%
1975	\$8,734	\$10,683	-\$1,949	-18.2%
1974	\$8,603	\$8,148	\$455	5.6%
1973	\$7,724	\$6,823	\$901	13.2%
1972	\$6,384	\$5,956	\$428	7.2%
1971	\$5,510	\$5,600	-\$90	-1.6%
1970	\$5,100	\$5,263	-\$163	-3.1%
1969	\$4,556	\$4,769	-\$213	-4.5%

Source: Alaska Department of Labor and Workforce
Development

K. The Need for and Availability of Employable Skilled and Unskilled Persons to
Serve the Proposed Borough.

The table below compares 2000 census data regarding educational attainment of the KGB population and population of the entire state (25 years of age and older). The data show that a slightly higher percentage of KGB residents completed high school, while a slightly lower percentage received a bachelor's degree or higher.

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**EDUCATIONAL ATTAINMENT OF POPULATION 25+ YEARS OLD
 KGB COMPARED TO ALASKA**

2000 Census Data

Educational Attainment	KGB Population 25+ Years Old	Percent of KGB Population 25+ Years Old	Percent of Alaska Population 25+ Years Old
Less than 9th grade	205	2.3%	4.1%
9th to 12th grade, no diploma	727	8.1%	7.5%
High school graduate (includes equivalency)	2,673	29.7%	27.9%
Some college, no degree	2,961	32.9%	28.6%
Associate degree	619	6.9%	7.2%
Bachelor's degree	1,289	14.3%	16.1%
Graduate or professional degree	525	5.8%	8.6%

Given that the KGB has operated successfully for more than forty-two years and the City has operated effectively for more than a century, it is axiomatic that local residents have the employable persons needed to operate the proposed consolidated borough.

L. The Reasonably Predictable Level of Commitment and Interest of the Population in Sustaining a Borough Government.

As noted above, residents of the greater Ketchikan area have successfully operated local governments for generations. Here again, it is evident that residents of the region have a level of commitment and interest in sustaining a borough government.

M. Conclusion

The foregoing analysis of the reasonably anticipated functions, expenses, and income of the proposed borough; the ability of the proposed borough to generate and collect local revenue; and the feasibility and plausibility of the anticipated operating and capital budgets through the third full fiscal year of operation reflect a fiscally viable proposal. The economic base, property valuations, land use, existing and reasonably anticipated development, and personal income are evidence of an economy that is fully capable of continuing to support borough government. Lastly, the availability of employable persons to serve the proposed borough and the reasonably predictable level of commitment and interest of the population in sustaining a borough government reflect

1 positively on the region. Thus, Commerce concluded that the standards set out in
2 AS 29.05.031(a)(3) and 3 AAC 110.055 regarding the human and financial resources
3 are fully satisfied by the Amended Petition. The Commission concurs and adopts the
4 above as its findings and conclusions for purposes of this decisional statement.

5 Part 6. The Facilities in the Proposed Consolidated Borough Allow the Communication
6 and Exchange Necessary for Integrated Borough Government.
7

8 In order to grant the consolidation proposal, AS 29.05.031(a)(4) requires
9 the Commission to determine that the land, water, and air transportation facilities in the
10 area allow the communication and exchange necessary for the development of inte-
11 grated borough government. The provisions of 3 AAC 110.045(c) require that the
12 Commission also consider communications media in terms of communication and ex-
13 change. Additionally, 3 AAC 110.045(c) lists a number of factors that may be consid-
14 ered by the Commission in judging whether the communications and exchange
15 standard is satisfied. Those include transportation schedules and costs, geographic
16 and climatic impediments, telephonic facilities, and public electronic media. Further,
17 3 AAC 110.045(d) establishes the presumption that all communities within the proposed
18 consolidated borough are connected by roadway or air service. Based on the following
19 analysis, Commerce concluded that the standards set out in AS 29.05.031(a)(4) and
20 3 AAC 110.045(c) – (d) are satisfied.
21

22
23 A. Land Transportation Facilities.

24 As discussed above, the proposed consolidated borough will encompass
25 two communities – Ketchikan and Saxman – that meet the particular characteristics set
26 out in 3 AAC 110.920. The Tongass Highway links those two communities and pro-
27 vides arterial access to virtually all other developed areas of the KGB. The northern
28 terminus of the highway is Settler's Cove State Recreation Site, located approximately
29 18 miles from downtown Ketchikan. The southern terminus is Beaver Falls Power-
30 house, approximately 12 miles from downtown Ketchikan. Additionally, the City main-
31 tains 22.65 miles of streets and roads, the KGB maintains 1.56 miles of roads, and the
32 City of Saxman maintains 4.27 miles of roads.
33
34

1 B. Water Transportation Facilities.

2 The City operates and maintains six boat harbors. Those consist of Bar
3 Harbor South, Bar Harbor North, Thomas Basin, Casey Moran, Knudson Cove, Hole-In-
4 The-Wall, and the Port of Ketchikan. Additionally, the City maintains three boat launch
5 ramps.
6

7 The communities within the Ketchikan area are served by three different
8 marine ferry systems. The Alaska Marine Highway System (AMHS) operates
9 five mainline and two feeder vehicle/passenger ferries in southeast Alaska. Ketchikan
10 is the midpoint between Bellingham and Skagway for the AMHS mainline vessels. Ad-
11 ditionally, the Inter-Island Ferry Authority (IFA) provides transportation between Ketchi-
12 kan and Hollis on Prince of Wales Island. In 1997, the IFA was formed by city
13 governments in Craig, Klawock, Thorne Bay, Coffman Cove, Wrangell and Petersburg
14 as a public corporation under Alaska's Municipal Port Authority Act. Lastly, the KGB
15 operates ferries to provide access to between Ketchikan and the Ketchikan International
16 Airport on nearby Gravina Island. During the winter, the KGB operates one ferry every
17 half-hour. During the summer, the KGB operates two ferries to provide access every
18 fifteen minutes.
19
20

21 C. Air Transportation Facilities.

22 The Ketchikan International Airport (KIA) is the primary air hub in the
23 southern portion of southeast Alaska. KIA is owned by the State of Alaska but is oper-
24 ated and maintained by the KGB. KIA serves air carrier, commercial, general aviation,
25 cargo, and military air traffic.
26

27 Several accommodations for floatplanes exist. These include the Ketchi-
28 kan Harbor Seaplane base, which consists of a 10,000- by 1,500-foot water runway on
29 the north side of the Tongass Narrows adjacent to the Ketchikan road system. Addi-
30 tionally, Murphy's Pullout Seaplane Base is owned by the KGB and managed by the
31 State of Alaska. Murphy's Pullout, located near the northern boundary of the City, con-
32 sists of a 10,000- by 2,000-foot water runway with eight spaces for transient floatplane
33 aircraft. Floatplanes can also be accommodated at two facilities near the west end of
34 KIA runway. One provides three transient docking spaces, and the other has the capac-

ity to serve 12 Twin Otter aircraft. A concrete ramp is located in the area to facilitate removal of floatplanes for maintenance or storage.

D. Communications Media.

The following table lists the communications media serving the proposed consolidated borough.

Communications Media Serving the Proposed Consolidated Borough

Local Exchange Telephone Service	KPU
Interstate and Intrastate Long-Distance Telephone Service	AT&T Alascom; General Communication, Inc. (GCI); ACS Long Distance
Wireless/Radio Telephone Service	KPU;; ACS Wireless
Internet Service Provider:	KPU (www.kpunet.net); ACS Internet (www.acsalaska.net); AT&T WorldNet (www.worldnet.att.net); GC (www.gci.net); SkyTalkwest Telecom (www.soapys.com)
TV Stations:	KUBD Channel 4 -- CBS; GCI Public Access Channel 11
Radio Stations:	KRBD-FM; KFMJ-FM; KGTV-FM; KTKN-AM
Cable Provider:	KPU; GCI Cable, Inc.
Teleconferencing:	City; Alaska Teleconferencing Network; Legislative Information Office;
Newspapers	<i>Ketchikan Daily News; Sitnews; The Local Paper</i>

E. Conclusion.

The land, air, and water transportation facilities in the proposed consolidated borough are well-developed and integrated. The two communities in the proposed consolidated borough are linked by road, thus satisfying the standard set out in 3 AAC 110.0459d). The communication media serving the proposed consolidated borough are extensive.

The transportation facilities and communication media clearly allow the communication and exchange necessary for the development of integrated borough government. Therefore, Commerce concluded that the standards set out in AS 29.05.031(a)(4) and 3 AAC 110.045(c) – (d) are satisfied. The Commission concurs and adopts the foregoing analysis as its findings and conclusions for purposes of this decisional statement.

Part 7. The Proposed Consolidated Borough Serves the Best Interests of the State.

AS 29.05.130(a) provides that the Commission may grant the consolidation Petition only if it determines that the proposal is in the best interests of the State.

1 The Commission is guided by 3 AAC 110.065 and 3 AAC 110.980 in making the requi-
2 site best interests determination. Those provisions call for the Commission to consider
3 whether the proposal promotes the constitutional principles of “maximum local self-
4 government” and “a minimum number of local government units.” The regulations also
5 allow consideration of other relevant factors.

6
7 In Part 1 of this section of the decisional statement, the Commission con-
8 cluded that the proposed consolidation promotes maximum local self-government and
9 that it satisfies that applicable constitutional standard set out in art. X, sec. 1 of the
10 Alaska Constitution.

11 In Part 2 of this section of the decisional statement, the Commission con-
12 cluded that the consolidation proposal fosters a minimum number of local government
13 units and that it satisfies that applicable constitutional standard set out in art. X, sec. 1
14 of the Alaska Constitution.

15 In addition to the two fundamental constitutional principles cited above, the
16 Commission finds that the public interest is also served by promoting equity in the deliv-
17 ery of municipal services and in promoting a governmental structure in which all resi-
18 dents have a voice in the delivery of municipal services to those residents.

19 In its *Preliminary Report* at pp 1 - 15, Commerce examined the reasonably
20 anticipated effects of the amended consolidation proposal. Commerce concluded that
21 consolidation would extend responsibility for areawide services to all residents of the
22 consolidated borough. Such would foster greater equity in the structure for the delivery
23 of services. The Commission concurs with Commerce’s analysis and adopts that
24 analysis by reference for purposes of this decisional statement.

25 With respect to the reasonably anticipated effects of consolidation, one
26 individual suggested at the June 26 hearing that service by the Alaska State Troopers
27 to the area within the consolidated borough would be curtailed or eliminated as a direct
28 result of consolidation. Evidence in the record clearly indicates otherwise. In particular,
29 Ex. J-8 of the original Petition includes a letter dated September 15, 2004, from William
30 Tandeske, Commissioner of the Alaska Department of Public Safety. That letter states
31 as follows:
32
33
34

1 The proposed consolidation of the Ketchikan Gateway Borough and City
2 of Ketchikan would not result in the Department of Public Safety withdraw-
ing assets from Ketchikan.

3 However, there have been discussions over time regarding potential legis-
4 lation that could require municipalities to provide certain services. Clearly,
public safety services could be a part of such legislation.

5 At this time, I see no adverse impact that should concern you as you con-
6 sider consolidation of governments. I believe that our pending purchase of
new office space in Ketchikan is a clear sign of our investment in the
community.

7 Subsequent to the June 26 hearing, Commerce responded to further in-
8 quires about whether consolidation would affect Alaska State Trooper service. Com-
9 merce provided the Commission with a copy of a June 28, 2006, communiqué to the
10 Petitioner's Representative addressing the issue. Commerce cited the September 15,
11 2004, letter quoted above and also cited a letter dated July 6, 1996, expressing a similar
12 policy view by then Public Safety Commissioner Ronald Otte. Further, Commerce's
13 June 28, 2006, communiqué stated:
14

15
16 In response to your inquiry and to follow up the comments made at the
17 June 26 hearing, this morning I called the Manager of the Haines Bor-
18 ough, Robert Venables. The third-class Haines Borough and the first-
19 class City of Haines consolidated as the home-rule Haines Borough in the
20 fashion currently proposed with regard to Ketchikan. The consolidated
21 home-rule Haines Borough operates a 20.9-square-mile service area
(boundaries are identical to those of the former City of Haines). That 20.9-
square-mile service area is the only portion of the 2,733 square miles
Haines Borough in which the Haines Borough provides police services.
Mr. Venables advised me that, "categorically, consolidation has had no ef-
fect on Trooper service to Haines."

22 I also spoke with Sergeant William Welch of the Girdwood Trooper Post.
23 Girdwood is in within the boundaries of the Municipality of Anchorage (a
24 unified home-rule borough -- also known as a unified municipality) but it is
25 outside the Municipality of Anchorage's police service area. Sergeant
26 Welch advised me that the Girdwood Post provides public safety services
for Girdwood and is staffed by four Troopers and one Fish and Wildlife Of-
ficer. I understand that the Fish and Wildlife Officer is also a State
Trooper.

27 Based on the above, the Commission finds that there is no reasonable
28 basis to conclude that consolidation will adversely impact the level of service by the
29 Alaska State Troopers to the proposed consolidated borough.

30 In terms of promoting a governmental structure in which all residents have
31 a voice in the delivery of municipal services to those residents, Commerce addressed
32 this issue on pp. 99 – 101 of its *Preliminary Report*. Commerce noted, for example, that
33 consolidation would give all residents of the consolidated borough an equal voice in the
34 governance of KPU, which provides electric, telephone, Internet, and cable television
utility service to most of the populated and developed areas of the region. The same

1 would occur with regard to other essential local facilities and services such as harbors,
2 library, hospital, 911 emergency dispatch, the Gateway Center for Human Services, and
3 the Port of Ketchikan. The Commission concurs with Commerce's analysis on pp. 99 –
4 101 of the *Preliminary Report* and adopts that analysis for purposes of this decisional
5 statement.

6
7 Based on the foregoing, the Commission concludes that the Ketchikan
8 consolidation proposal clearly serves the best interests of the State. It promotes the
9 constitutional principles favoring maximum local-self government and a minimum num-
10 ber of local government units. It also remedies inequities found in the current structure
11 for delivery of municipal services in Ketchikan. Further, it would create a far better gov-
12 ernmental structure in which all residents would have an equal voice in the delivery of
13 local services. Thus, the standard set out in AS 29.05.130(a) and 3 AAC 110.065 is
14 met by the Amended Petition.

15
16 Part 8. The Transition Plan Included in the Amended Petition Is Complete and Other-
17 wise Complies With the Requirements of Law.

18
19 The provisions of 3 AAC 110.900 require the Petitioner to reasonably
20 demonstrate through a transition plan the capability of the proposed consolidated bor-
21 ough to serve the area, implement consolidation in a timely manner, and do so without
22 loss in value of municipal assets or credit. The Petitioner was required to develop the
23 transition plan in consultation with officials of the City and KGB.

24
25 Commerce addressed this standard on pp. 102 – 106 of the *Preliminary*
26 *Report*. Commerce noted that the original Petition presented a 33-page transition plan
27 and nine ancillary exhibits relating to transition matters that comprised an additional
28 33 pages. Commerce also noted that transition measures were also included in the
29 home-rule charter (Exhibit H, Sections 16.05 – 16.09). Certain of those provisions were
30 modified through the Amended Petition.

31
32 The Commission concurs with Commerce's assessment of this stan-
33 dard set out in the *Preliminary Report*. The Commission adopts that analysis
34 for purposes of this decisional statement.

1 Based on the foregoing, the Commission concludes that the requirements
2 relating to transition set forth in 3 AAC 110.900 are fully satisfied with respect to the
3 Amended Petition.

4
5 Part 9. The Proposed Consolidation Has No Racially Discriminatory Purpose, Would
6 Not Make Minority Voters Worse Off, or Deny Civil or Political Rights in Violation of the
7 Law.

8
9 Under federal law (42 U.S.C. Section 19; 28 C.F.R. Part 51) and State law
10 (3 AAC 110.630) consolidation of municipal governments is subject to the federal Voting
11 Rights Act. The Voting Rights Act requires demonstration to federal authorities that
12 municipal boundary changes do not have a racially discriminatory purpose or will not
13 make minority voters worse off than they were prior to consolidation. Additionally, State
14 law (3 AAC 110.910) provides that, “A petition will not be approved by the [local bound-
15 ary] commission if the effect of the proposed change denies any person the enjoyment
16 of any civil or political right, including voting rights, because of race, color, creed, sex, or
17 national origin.”

18
19 Consolidation will result in the dissolution of the KGB. A new consolidated
20 borough government will be formed in its place. The composition of the governing body
21 of the proposed consolidated borough (a seven-member assembly) and its form of rep-
22 resentation (election of assembly members at large by voters throughout the borough)
23 is identical to the current composition and form of representation of the Assembly of the
24 KGB

25
26 Consolidation will also result in the dissolution of the City. Unlike the bor-
27 ough, however, the City will not be reconstituted in a form that has a governing body.
28 Currently, the City is governed by a mayor and seven-member city council.

29
30 The Commission underscores the fact that there is no guarantee or expec-
31 tation that Alaskans will have multiple local governments to serve and represent them.
32 In fact, art. X, sec. 1 of the Alaska Constitution encourages consolidation of local gov-
33 ernments. The Commission finds, therefore, that the dissolution of the City and the
34 elimination of eight elected officials are not pertinent with regard to this standard.

 As noted previously, one individual commented at the June 26 hearing
that the City of Saxman should also be dissolved. Saxman, which is inhabited predomi-

1 nantly by Natives, will retain its city government under the consolidation proposal. Dur-
2 ing the proceedings for the City's 2000 consolidation proposal, the Mayor of the City of
3 Saxman wrote that "Saxman has consistently expressed its desire to retain its inde-
4 pendent status as a separate municipal entity and to preserve its Native culture, the
5 former being viewed as a means to the latter."

6
7 The Commission finds no basis to reasonably conclude that the proposed
8 consolidated borough will have a racially discriminatory purpose. Neither is there any
9 basis to conclude that consolidation will make minority voters worse off than they were
10 prior to consolidation. Further, there is no evidence to suggest that consolidation will
11 deny any civil or political right to any party for any of those reasons enumerated in the
12 law.

13
14 Commerce noted on p. 107 of the *Preliminary Report* that the 2000
15 Ketchikan consolidation proposal was reviewed by the U.S. Department of Justice in
16 terms of the federal Voting Rights Act. Commerce reported that on July 10, 2001, the
17 Acting Chief of the Voting Section in the Civil Rights Division of the U.S. Department of
18 Justice wrote that the U.S. Attorney General did not "interpose any objection" to the
19 proposed consolidation.

20
21 Given the foregoing, the Commission concludes that no voting qualifica-
22 tions, prerequisites to voting, standards, practices, or procedures will be applied as a
23 result of the proposed consolidation which would deny or abridge the right to vote on
24 account of race or color or because a person is a member of a language minority group.
25 The Commission concludes further that the proposed consolidation will not deny any
26 person the enjoyment of any civil or political right, including voting rights, because of
27 race, color, creed, sex, or national origin. Thus, the standards set forth in 42 U.S.C.
28 Section 1973, 28 C.F.R. Part 51, and 3 AAC 110.910 are satisfied by the proposal to
29 consolidate the City and KGB.

30 **Section III. Order of the Commission**

31
32 On the basis set out in Section II of this decisional statement, the Com-
33 mission approves the Amended Petition with the style, grammar, word usage, technical
34

1 and substantive changes, and other modifications to the Charter approved by the KCC
2 on May 31 and June 22, 2006.¹⁴

3 Unless reconsideration is requested timely under 3 AAC 110.580 or the
4 Commission, on its own motion, orders reconsideration under 3 AAC 110.580, the
5 Commission Chair shall immediately notify the Director of Elections for the State of
6 Alaska of the Commission's acceptance of the consolidation petition. Under AS
7 29.06.140, within 30 days after notification, the Director of Elections shall order an elec-
8 tion in the area of the proposed consolidated borough to determine whether the voters
9 desire consolidation. The amended proposed home rule Charter is part of the consoli-
10 dation question. The Charter is adopted if the voters approve consolidation. The elec-
11 tion shall be held not less than 30 or more than 90 days after the election order. A voter
12 who is a resident of the area within the proposed consolidated borough may vote.
13

14
15 If, upon certification of the election results, a majority of the total votes
16 cast among the areawide voters of the proposed consolidated borough favor consolida-
17 tion, the Director of Elections shall, within 10 days of the certification, set a date for elec-
18 tion of the Mayor and seven members of the Assembly of the consolidated borough.
19 The election date shall be not less than 60 or more than 90 days after the election order
20 and it is the effective date for the consolidation.
21

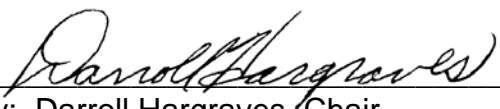
22 The Mayor and Assembly Members shall be elected at large. As provided
23 in Section 2.02(d) of the Charter, the two Assembly Member candidates receiving the
24 highest number of votes shall be elected for three-year terms and until a successor
25 qualifies; the three candidates receiving the next highest number of votes shall be
26 elected for two-year terms and until a successor qualifies; and the two candidates re-
27 ceiving the next highest number of votes shall be elected for one-year terms and until a
28 successor qualifies. At the first election under this Charter, the Mayor shall be elected
29 for a three-year term and until a successor qualifies.
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¹⁴The Commission's motion approving the Amended Petition with additional amendments provided
for a grammatical correction to the language in Section 3.02(b) of the Charter. Consequently, the second sentence in
Section 3.02(b) was modified to read, "A non-emergency ordinance in which amendments are made in first reading
which substantially change the subject of the ordinance require an additional reading before passing to second read-
ing."

1 Approved in writing July 7, 2006.

2 LOCAL BOUNDARY COMMISSION

3
4 
5 By: Darroll Hargraves, Chair

6
7 Attest:
8 
9 Dan Bockhorst, Staff

10
11
12 RECONSIDERATION BY THE COMMISSION

13
14 Within eighteen days after this decision becomes final under 3 AAC
15 110.570(g), a person may file a request for reconsideration of the decision. The request
16 must describe in detail the facts and analyses that support the request for reconsidera-
17 tion. If the Commission has taken no action on a request for reconsideration within
18 twenty days after the decision became final under 3 AAC 110.570(g), the request is
19 automatically denied.

20
21 If the Commission grants a request for reconsideration, a party opposing
22 the reconsideration will be allotted ten days from the date the request for reconsidera-
23 tion is granted to file a responsive brief describing in detail the facts and analyses that
24 support or oppose the request for reconsideration.

25
26 JUDICIAL APPEAL

27
28 A judicial appeal of this decision may also be made under the Alaska
29 Rules of Appellate Procedure, Rule 601, *et seq.* An appeal to the Superior Court must
30 be made within thirty days after the last day on which reconsideration can be ordered.

31
32
33
34
Local Boundary Commission
550 West Seventh Avenue, Suite 1700
Anchorage, Alaska 99501
(907) 269-4560 (tel); (907) 269-4539 (fax)