

**2004
KETCHIKAN
CONSOLIDATION
PETITION**



**Submitted to the Local Boundary Commission
September 30, 2004**

KETCHIKAN CHARTER COMMISSION

RESOLUTION NO. 07

A RESOLUTION OF THE KETCHIKAN CHARTER COMMISSION, ALASKA, AUTHORIZING SUBMITTAL OF THE 2004 PETITION AND ACCOMPANYING DOCUMENTS TO THE LOCAL BOUNDARY COMMISSION THROUGH THE KETCHIKAN GATEWAY BOROUGH.

RECITALS

- A. The Ketchikan Charter Commission was duly elected by the registered voters of the Ketchikan Gateway Borough in a special election held on January 13, 2004 to draft a petition and charter to consolidate the City of Ketchikan and the Ketchikan Gateway Borough;
- B. Meetings of the Ketchikan Charter Commission commenced on January 21, 2004 and have continued almost weekly up to and including the date of this Resolution, September 17, 2004;
- C. Members of the Ketchikan Charter Commission spent many hours drafting and reviewing documents in order to craft a working document that expressed the best consensus of opinion as to the structure of a new government entity. The Commission has been received comment and assistance from both City and Borough staff, as well as the citizens of Ketchikan through Public Hearings, meetings and in written format; and
- D. Authorization by a vote of the Ketchikan Charter Commission is desired in order to forward the 2004 Petition and accompanying documents through the Ketchikan Gateway Borough to the Local Boundary Commission.

NOW, THEREFORE, IN CONSIDERATION OF THE ABOVE FACTS, IT IS RESOLVED BY THE KETCHIKAN CHARTER COMMISSION, ALASKA, as follows:

Section 1. The Ketchikan Charter Commission authorizes the submittal of the document known as the 2004 Petition for Consolidation to the Local Boundary Commission through the Ketchikan Gateway Borough.


Section 2. The 2004 Petition for Consolidation will be ceremoniously presented to the Ketchikan Gateway Borough at their regular meeting of September 27, 2004.

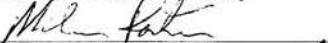
Section 3. The 2004 Petition for Consolidation will be forwarded for filing with the Local Boundary Commission by the Ketchikan Charter Commission by the fastest possible method in order to timely file the document by September 30, 2004.

Section 4. This resolution is effective on adoption.


ADOPTED this 17th day of September, 2004.


Glen Thompson, Commission Chair

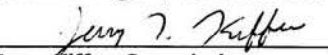

Deborah Otte, Secretary


Mike Painter, Vice Chair


Dennis McCarty, Commissioner


Brad Finney, Commissioner


John Harrington, Commissioner


Jerry Kiffer, Commissioner

EFFECTIVE DATE: September 17, 2004			
ROLL CALL	YES	NO	ABSENT
Thompson	X		
Painter	X		
Harrington	X		
Kiffer	X		
Finney	X		
McCarty	X		
Otte	X		
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PETITION FOR CONSOLIDATION OF THE KETCHIKAN GATEWAY BOROUGH AND THE CITY OF KETCHIKAN TO THE MUNICIPALITY OF KETCHIKAN, A HOME RULE BOROUGH¹

To: The State Of Alaska, Local Boundary Commission:

The Petitioner hereby requests that the Local Boundary Commission grant this petition for consolidation resulting in the dissolution of the home rule city and general law borough described herein and the incorporation of a home rule borough under the provisions of Article X, Sections 1, 3, and 5 of Alaska's constitution; AS 29.06.090 - AS 29.06.170; 3 AAC 110.240 - 3AAC 110.250; 3 AAC 110.400 - 3 AAC 110.660; and 3 AAC 110.900 - 3 AAC 110.990.

1. CONSOLIDATION PROPOSAL. The Petitioner, the Ketchikan Gateway Borough, a political subdivision of the State of Alaska, hereby petitions to dissolve the municipalities named below and to incorporate, through consolidation, the home rule borough named below and described in this petition:

Municipalities to be Dissolved by Consolidation:

Name: City of Ketchikan (hereafter City).
Class: home rule.

Name: Ketchikan Gateway Borough (hereafter Borough).
Class: second class borough.

Home Rule Borough to be Incorporated by Consolidation:

Name: Ketchikan (hereafter Ketchikan).
Class: home rule.

2. POPULATION. The population of the municipalities that are proposed for consolidation is estimated to be as follows:

City of Ketchikan:	8,002 ²
Ketchikan Gateway Borough (including City):	13,548 ³

1 This petition, including the Charter, transition plan, proposed taxes and budget are subject to amendment by the Petitioner in accordance with 3 AAC 110.540 or, after submittal, by the Local Boundary Commission.

2 Department of Community and Economic Development, 2003 estimate.

3 Department of Community and Economic Development, 2003 estimate.

3. REASONS FOR CONSOLIDATION.

A summary of the principal reasons for the consolidation proposal is provided as **Exhibit A**.

4. LEGAL DESCRIPTION AND MAP OF BOUNDARIES OF PROPOSED HOME RULE BOROUGH TO BE INCORPORATED THROUGH CONSOLIDATION:

A written metes and bounds legal description of the boundaries of the home rule borough proposed to be incorporated by consolidation is presented as **Exhibit B-1**.

A map showing the boundaries of the home rule borough proposed to be incorporated by consolidation is presented as **Exhibit B-2**. The boundaries described and shown on the map are identical to the existing boundaries of the Ketchikan Gateway Borough.

5. LEGAL DESCRIPTION AND MAP OF BOUNDARIES OF EXISTING MUNICIPALITIES PROPOSED TO BE DISSOLVED THROUGH CONSOLIDATION:

Exhibit C-1 provides a written metes and bounds legal description of the existing boundaries of the City of Ketchikan that would be dissolved through consolidation.

Exhibit C-2 provides a map showing the existing boundaries of the City of Ketchikan.

A written metes and bounds description and map of the boundaries of the Ketchikan Gateway Borough, which would also be dissolved through consolidation, are provided as **Exhibits B-1** and **B-2**.

6. COMPOSITION AND APPORTIONMENT OF THE ASSEMBLY.

Exhibit D presents the proposed apportionment and composition of the Assembly for the proposed home rule borough to be incorporated through consolidation. The proposed apportionment and composition is consistent with the equal representation standards of the Constitution of the United States and complies with AS 29.20.060. Unless modified by the Local Boundary Commission on a reasonable basis following hearings on the consolidation proposal, the Assembly will be comprised of the number of members and apportioned as set out in **Exhibit D** until the composition or apportionment of the Assembly is lawfully changed.

7. AREAWIDE, NONAREAWIDE and SERVICE AREA POWERS AND SERVICES.

Listed below are the proposed services to be provided and the powers proposed to be exercised by the home rule borough on an areawide and nonareawide basis. To the extent that voter approval is required to grant the powers and authority for areawide or nonareawide services listed in this petition, as may be amended on a reasonable basis by the

Local Boundary Commission following a public hearing on this petition, voter approval will be deemed to have been granted upon voter approval of the consolidation.

Areawide Powers Required by Statute:

1. Education
2. Assessment and Collection of taxes, including, but not limited to Property, Sales and Transient Occupancy Taxes
3. Platting, Planning, and Land Use Regulation

Areawide Powers and Services Required by Charter: 4

1. Parks and Recreation
2. Transportation, including Airport and Public Transit
3. Animal Control
4. Economic Development
5. Emergency 911 Dispatch
6. Library
7. Museum
8. Civic Center
9. Public Health, including Mental Health and Substance Abuse
10. Hospital
11. Ports and Harbors
12. Cemetery
13. Solid Waste Disposal

Utility Powers Required by Charter:

1. Electricity (borough-owned Utility)
2. Telecommunications (borough-owned Utility)
3. Water Service (borough-owned Utility)

Nonareawide and Service Area Powers and Services Required by Charter:

1. Sewer and septic waste services
2. Building Code enforcement
3. Street construction and maintenance
4. Police Protection
5. Fire Suppression and Emergency Medical Services

⁴ As a second class borough, the Ketchikan Gateway Borough has also adopted the following general government services as permissive areawide powers: voter services, alcoholic beverage hours, and tax increment financing. Upon consolidation, it is anticipated that such powers will continue to be exercised on an areawide basis until such time as the Assembly determines otherwise.

6. Solid Waste Collection

8. AREAWIDE AND NONAREAWIDE TAXES.

The type and rate of each areawide and nonareawide tax proposed to be initially levied by the home rule borough is listed below. To the extent that voter approval is required to grant authority to levy proposed areawide and non-areawide taxes listed in this petition, as

may be amended on a reasonable basis by the Local Boundary Commission following a public hearing on this petition, it will be deemed to have been granted upon voter approval of the consolidation.

AREAWIDE:

<u>Tax Type</u>	<u>Tax Rate</u>
Borough Areawide Real and Personal Property	8.7 mills
Sales	3.75%
Areawide Transient Occupancy	7.0%

For a more detailed break-down of taxes, please see the tax table listed at the end of the Petition.

Services Paid for by User Fees:

Residential Electric	\$.0875/kwh \$6.00 Electric Customer Fee/month
Residential Telephone	Basic Tariff @ \$14.00/month
Residential Solid Waste Disposal	\$15.00/month

NONAREAWIDE:

<u>Tax Type/Tax Rate</u>	
Sludge Fee	\$15.00/month for residents outside the Gateway Service Area with septic systems

Other Services Paid for by User Fees:

See Exhibit E-3

9. SERVICE AREAS AND SERVICE AREA TAXES.

Service areas may be established to exercise powers and provide services that will not be exercised or provided on an areawide or nonareawide basis or those that will be provided or exercised on a higher, lower, or otherwise different level than on an areawide or nonareawide basis.

A written metes and bounds legal description of the boundaries of each proposed initial service area of the Municipality is presented as **Exhibit E-1**.

A map showing the boundaries of each service area is presented as **Exhibit E-2**.

A statement of the proposed powers to be exercised, services to be provided and taxes to be levied within each of the proposed service areas is presented as **Exhibit E-3**. To the extent that voter approval is required to establish service areas listed in **Exhibit E-1**, to authorize the exercise of service area powers listed in **Exhibit E-3** and to authorize the levy of service area taxes listed in **Exhibit E-3**, as may be amended on a reasonable basis by the Local Boundary Commission following a public hearing on this petition, voter approval will be deemed to have been granted upon voter approval of the consolidation.

10. TAXABLE VALUE OF REAL AND PERSONAL PROPERTY.

The following is the assessed or estimated value of taxable property in the territory proposed for consolidation:

AREAWIDE:

As of January 1, 2004 the areawide assessed value of taxable property in the territory proposed for consolidation, net of Senior Citizen/Disabled Veteran properties valued at \$71,700,000, is \$914,040,000.

NON-AREAWIDE:

As of January 1, 2004 the nonareawide assessed value of taxable property in the territory proposed for consolidation (i.e., the area of the proposed Municipality exclusive of the City of Saxman), net of Senior Citizen/Disabled Veteran properties valued at \$69,900,000, is \$901,930,000.

SERVICE AREAS:

1. Gateway Service Area (former City): As of January 1, 2004 the assessed value of taxable property in the territory proposed as the Gateway Service Area, net of Senior Citizen/Disabled Veteran properties valued at \$42,500,000, is \$539,980,000.

2. Forest Park Service Area: As of January 1, 2004 the assessed value of taxable

property in the Forest Park Service Area, net of Senior Citizen/Disabled Veteran properties valued at \$1,050,000, is \$20,680,000.

3. Gold Nugget Service Area: As of January 1, 2004 the assessed value of taxable property in the Gold Nugget Service Area, net of Senior Citizen/Disabled Veteran properties valued at \$600,000, is \$7,360,000.

4. Mud Bight Service Area: As of January 1, 2004 the assessed value of taxable property in the Mud Bight Service Area, net of Senior Citizen/Disabled Veteran properties valued at \$0, is \$2,000,000.

5. South Tongass Service Area: As of January 1, 2004 the assessed value of taxable property in the South Tongass Service Area, net of Senior Citizen/Disabled Veteran properties valued at \$10,000,000, is 107,170,000. The South Tongass Service Area includes three other service areas.

6. Waterfall Creek Service Area: As of January 1, 2004 the assessed value of taxable property in the Waterfall Creek Service Area, net of Senior Citizen/Disabled Veteran properties valued at \$700,000, is 9,450,000.

7. Nichols View Service Area: As of January 1, 2004 the assessed value of taxable property in the Nichols View Service Area, net of Senior Citizen/Disabled Veteran properties valued at \$ 0, \$75,000.

8. Deep Bay Service Area: As of January 1, 2004 the assessed value of taxable property in the Deep Bay Service Area, net of Senior Citizen/Disabled Veteran properties valued at \$0, \$206,000.

9. Long Arm Service Area: As of January 1, 2004 the assessed value of taxable property in the Long Arm Service Area, net of Senior Citizen/Disabled Veteran properties valued at \$150,000, is \$843,000.

10. Vallenar Bay Service Area: As of January 1, 2004 the assessed value of taxable property in the Vallenar Service Area, net of Senior Citizen/Disabled Veteran properties valued \$0, is \$896,000.

11. North Tongass Fire & EMS Service Area: As of January 1, 2004 the assessed value of taxable property in the North Tongass Fire & EMS Service Area, net of Senior Citizen/Disabled Veteran properties valued at \$14,900,000 is \$221,110,000. North Tongass Fire & EMS Service Area includes two other service areas.

11. THREE-YEAR OPERATING BUDGET AND FINANCIAL PLAN

Exhibit F presents a proposed three-year operating budget and financial plan for the

home rule borough projecting sources of incomes and items of expenditure through the first three full fiscal years of operation.

12. VOTING RIGHTS INFORMATION.

Information relevant to consideration of the petition in terms of the federal Voting Rights Act is provided in **Exhibit G**. This information includes the following:

- (A) The extent to which the territory proposed for consolidation excludes minorities while it includes non-minorities.
- (B) Whether the electoral system of the proposed home rule borough fairly reflects minority voting strength.
- (C) The extent to which minorities participated in the development of the consolidation proposal.
- (D) Information concerning the extent to which English in written and spoken forms is not understood by minorities at least 18 years of age who reside in the territory proposed for consolidation.

13. BRIEF

Exhibit H presents a statement fully explaining how the proposed consolidation satisfies the standards set out in Article X, " 1, 3 and 5 of Alaska's constitution; AS 29.06.130; AS 29.05.031; 3 AAC 110.240 - 3 AAC 110.250; 3 AAC 110.045 - 3 AAC 110.060; and 3 AAC 110.910. The brief references each of these standards and explains why the proposed consolidation is good public policy. The brief demonstrates that:

- 1) The proposed consolidation promotes maximum local self-government with a minimum of local government units in accordance with Article X, ' 1 of the Constitution of the State of Alaska.
- 2) The boundaries of the proposed borough embrace an area and population with common interests to the maximum degree possible in accordance with Article X, ' 3 of the Constitution of the State of Alaska.
- 3) The population of the proposed borough is interrelated and integrated as to its social, cultural, and economic activities, and is large and stable enough to support a borough in accordance with AS 29.05.031(a)(1), 3 AAC 110.045(a), (c), (d), and 3 AAC 110.050.
- 4) The boundaries of the proposed borough conform generally to natural geography and include all areas necessary for full development of municipal services in accordance with AS 29.05.031(a)(2) and 3 AAC 110.060.
- 5) The economy of the area within the proposed borough includes the

human and financial resources capable of providing municipal services in accordance with AS 29.05.031(a)(3) and 3 AAC 110.055. Elements of the economy specifically addressed include: land use, property values, total economic base, total personal income, resource and commercial development, anticipated functions, anticipated expenses and anticipated income of the proposed borough.

6) Land, water, and air transportation facilities allow the communication and exchange necessary for the development of integrated government in accordance with AS 29.05.031(a)(4) and 3 AAC 110.045(b).

7) Incorporation of the proposed borough through consolidation will not deny any person the enjoyment of any civil or political right because of race, color, creed, sex or national origin in accordance with 3 AAC 110.910.

14. CHARTER.

Exhibit I presents the proposed home rule charter for the Municipality. The proposed charter, as may be amended on a reasonable basis by the Local Boundary Commission following a public hearing on this petition, is adopted if voters approve incorporation of the home rule borough through consolidation.

15. TRANSITION PLAN.

Exhibit J presents a practical plan demonstrating the intent and capability of the proposed borough to begin providing essential services as defined by 3AAC 110.990(a)(7) to the territory proposed for consolidation within the shortest practicable time after consolidation. It also provides a practical plan for the assumption of all relevant and appropriate powers, rights, and functions presently exercised by the Ketchikan Gateway Borough and the City of Ketchikan and other relevant entities within the territory proposed for consolidation. Further, it provides a practical plan for the transfer and integration of all relevant and appropriate assets and liabilities of existing municipal governments and other relevant entities within the territory proposed for consolidation.

The plan was developed in consultation with officials of municipal governments and other relevant entities within the territory proposed for incorporation through consolidation. The plan complies with the provisions of AS 29.06.150 and AS 29.06.160.

16. INFORMATION RELATING TO PUBLIC NOTICE

Exhibit K offers information relevant to the provision of public notice of the consolidation proceedings. Included are details about local media, municipal governments within and adjacent to the territory proposed for consolidation, places for posting public notices relating to the proposed consolidation, the location where the petition may be reviewed

by the public, and parties that may warrant individual notice of the consolidation proceedings.

17. PETITIONER’S REPRESENTATIVE

The Petitioner designates the following individual to act as its primary representative on all matters regarding the proposed consolidation:

Name:	Glen Thompson
Title:	Chair Ketchikan Charter Commission
Address:	PO Box 1084
City, State & Zip Code:	Ward Cove, Alaska 99928
Telephone Number:	(907) 225-5561
Facsimile Number:	(907) 247-5561
Email:	glenktn@kpunet.net

18. PETITION INFORMATION & ACCURACY.

An affidavit of the Petitioner’s Representative affirming that the information in this petition is true and accurate is provided in **Exhibit L**.

19. AUTHORIZATION OF THE PETITION.

Pursuant to AS 29.06.090(b)(1) and 3 AAC 110.410(a)(4), this petition for consolidation is initiated by Ketchikan Charter Commission. A certified copy of the initiative approved by the voters to authorize the filing of this petition is provided as **Exhibit M**.

DATED this _____ day of _____, 2004.

By: _____
 Glen Thompson
 Petitioner’s Representative

CURRENT AND PROPOSED TAX RATES

PROPERTY TAX:	CURRENT			PROPOSED			CHANGE
	Borough	City/Svc Area	TOTAL	Ketchikan	Service Area	TOTAL	
City of Ketchikan (Gateway Service Area)	7.5	6.4	13.9	8.7	5.2	13.9	0.0
Ketchikan Gateway Borough	7.5	1.2	8.7	8.7	0.0	8.7	0.0
North Tongass Fire & EMS	7.5	2.6	10.1	8.7	1.4	10.1	0.0
Waterfall Creek	7.5	2.6	10.1	8.7	1.4	10.1	0.0
Mud Bight	7.5	2.6	10.1	8.7	1.4	10.1	0.0
Vallenar Bay	7.5	2.6	10.1	8.7	1.4	10.1	0.0
Deep Bay	7.5	2.6	10.1	8.7	1.4	10.1	0.0
Long Arm	7.5	2.6	10.1	8.7	1.4	10.1	0.0
South Tongass Service Area	7.5	3.5	11.0	8.7	2.3	11.0	0.0
Forest Park	7.5	5.7	13.2	8.7	4.5	13.2	0.0
Gold Nugget	7.5	2.6	10.1	8.7	1.4	10.1	0.0
City of Saxman	7.5	0.0	7.5	8.7	0.0	8.7	1.2

SALES TAX:	CURRENT			PROPOSED			CHANGE
	Borough	City/Svc Area	TOTAL	Ketchikan	Service Area	TOTAL	
City of Ketchikan (Gateway Service Area)	2.50	3.50	6.00	3.75	2.25	6.00	0.00
Ketchikan Gateway Borough	2.50	0.00	2.50	3.75	0.00	3.75	1.25
City of Saxman	2.50	3.50	6.00	3.75	3.50	7.25	1.25

TRANSIENT OCCUPANCY TAX	
CURRENT City of Ketchikan	7%
NEW Gateway Service Area	7%
CURRENT Ketchikan Gateway Borough	4%
NEW Municipality of Ketchikan	7%

EXHIBIT A

Statement of Principal Reasons for the Proposal to Consolidate

Historical Perspective:

The greater Ketchikan community is located on Revillagigedo Island, which is situated in the southern portion of the Southeast Alaska panhandle. Having a population of 13,548¹ Ketchikan has long been the center of residential, retail and business activity within this region of the State. Although its residents share a multitude of common interests and beliefs, they are served by three separate and distinct local governments. The City of Ketchikan, which has a population of 8,002², is a home rule city. The City of Saxman, which has a population of 425³, is a second-class city. Its current legal status is unaffected by the consolidation proposed within this petition. The Ketchikan Gateway Borough is a second-class borough.

Issues regarding the structure and configuration of Ketchikan local government have been debated periodically throughout the last two decades. During these times of debate, residents of Ketchikan and their elected and appointed officials have examined and assessed various means of combining local governments, in order to achieve efficiencies and economies of scale. In 1973, a proposition was placed before the voters to unify the City of Ketchikan, the City of Saxman, and the Ketchikan Gateway Borough.

Although voters within the City approved the ballot measure, it was defeated in Saxman and the outlying areas of the Borough. Consequently, the proposition failed. In 1975, the Mayor of the City of Ketchikan appointed a "Study Committee for Local Government Efficiency." The Committee concluded that "a consolidated form of government . . . offers the greatest promise."⁴ The Mayors of the Borough and the City subsequently directed their respective staffs to refine the Committee's report, in order that reorganization of the local government structure could be advanced. In May of 1976 the City and the Borough produced a consolidation study, but no action was taken and interest in the issue appears to have waned in the 1980's.

In recent years the subject of improving local government structure has been renewed. In 1990, the Ketchikan Chamber of Commerce formed a study group to investigate the process and benefits of consolidating the City of Ketchikan and the Ketchikan Gateway Borough. The efforts of this group resulted in the City and Borough jointly funding a local government consolidation study. The study was released in 1993 and examined the cost of local government duplication and evaluated possible savings resulting from consolidation.⁵ The analysis, commonly referred to as the "Chitwood Study", reached several important conclusions about the potential of consolidating the City and the Borough, including the following:

1. Several City and Borough departments duplicate each other and a number of positions could be eliminated under a newly consolidated form of government.

1 Alaska Department of Community and Economic Development, 2003 Demographer estimate.

2 Alaska Department of Community and Economic Development, 2003 Demographer estimate.

3 Alaska Department of Community and Economic Development, 2003 Demographer estimate.

4 Report of the Study Committee for Local Government Efficiency, September, 1975.

5 Ketchikan Local Government Consolidation Study, March, 1993.

2. Current City and Borough services could continue to be provided as they are now under a newly consolidated form of government.
3. The City of Saxman and the existing service areas within the Borough can continue to operate as they do now under a newly consolidated form of government.
4. Consolidation will simplify relations with the federal and state governments, both of which are highly important to the Ketchikan community.

Following the release of the Chitwood Study, the Ketchikan Chamber of Commerce sponsored a series of discussions in order to address the structure of local government in Ketchikan. These meetings identified alternative forms of government of the combined City and Borough. A representative of the former State Department of Community and Regional Affairs participated in a number of these meetings and responded to questions regarding the effect of consolidation on State funding.

In 1994, the City of Ketchikan established a committee of citizens and local officials in order to prepare a draft charter for a consolidated City and Borough government. This committee's work formed the basis of the proposed charter incorporated within this petition.

In 2001, voters throughout the Borough cast ballots on the City of Ketchikan's consolidation proposal. That proposal, like the proposal under development, left the City of Saxman in place. It was defeated, however, when less than 42 percent (42%) of the Borough voters cast ballots in support of the plan, although over 65 percent (65%) of the City voters cast ballots in favor of the proposal, the Borough-wide tally is the only one that mattered.

Early in 2003 a Greater Ketchikan Chamber of Commerce group was formed, the Ketchikan-One Government Committee, to establish the Ketchikan Consolidation Commission. In May of 2003, the Ketchikan-One Government Committee submitted a formal application for an initiative petition to the Borough Clerk. By August 2003, the sponsors of the initiative gathered nearly 900 signatures. In an October 7, 2003 election, voters in the Ketchikan Gateway Borough approved the initiative. In a January 2004 election, fifteen percent (15%) of the voters elected seven individuals (3 representing the City residents, 3 representing the Non-City residents, and 1 at-large member) to form the Ketchikan Charter Commission.

Principal Reasons For Consolidation:

1. CONSOLIDATION PROMOTES MAXIMUM LOCAL SELF-GOVERNMENT WITH A MINIMUM OF LOCAL GOVERNMENT UNITS.

Article X, Section 1 of the Alaska Constitution states that the purpose of the Local Government Article is to "provide a maximum of local self-government with a minimum of local government units." The proposed consolidation will dissolve the home rule City of Ketchikan and the second class Ketchikan Gateway Borough, in order to form one consolidated home rule local government. The proposed home rule status of the

consolidated borough meets this constitutional intent by promoting maximum local self government for a larger number of people with less government units. The City of Saxman and the existing service areas within the Borough will remain in existence after the consolidation. The former City of Ketchikan will become a service area under the consolidated home rule borough that is proposed.

2. CONSOLIDATION ENCOURAGES EFFICIENCIES AND ECONOMIES OF SCALE WITHIN LOCAL GOVERNMENT.

Neither the City of Ketchikan nor the Ketchikan Gateway Borough, when examined separately, are inefficient or poorly run. When one considers a total Borough population of 13,548, and the fact that sixty percent of its residents reside within the City, the inefficiency of maintaining two separate government structures becomes, however, readily apparent. Given the decline of Southeast Alaska's natural resource based economy and the State's current fiscal gap, it is incumbent upon elected and appointed officials to encourage as efficient a local government as possible.

There exist two governing bodies and seven departments within the City of Ketchikan and the Ketchikan Gateway Borough that are analogous to one another and which require a redundant investment of community resources:

- ✓ City Council and Borough Assembly;
- ✓ City Clerk and Borough Clerk;
- ✓ City Manager and Borough Manager;
- ✓ Assistant City Manager and Assistant Borough Manager
- ✓ City Attorney and Borough Attorney;
- ✓ City Human Resources and Borough Human Resources
- ✓ City Public Works Director and Borough Public Works Director
- ✓ City Data Processing and Borough Automation; and
- ✓ City Finance and Borough Finance Departments.

Consolidation will provide for the amalgamation of these governing bodies and departments. The government structure resulting from consolidation will be significantly smaller and less costly to the community as a whole. As is discussed in the Transition Plan, the consolidated government is initially expected to have eight less elected officials and five less middle and upper management positions than are currently employed by the City and Borough. The elimination of these positions will result in first year savings to the community of approximately \$500,000. It is anticipated that additional savings will accrue to the consolidated government as further efficiencies are identified and transitional personnel are no longer needed.

3. CONSOLIDATION ESTABLISHES A SINGLE PROVIDER OF MUNICIPAL SERVICES AND RESULTS IN A MORE EFFECTIVE AND ACCOUNTABLE GOVERNMENT STRUCTURE.

Separate City and Borough governments often lead to confusion and frustration among the citizenry of Ketchikan. Both the City and Borough are responsible for separate and

distinct services that benefit the entire community of Ketchikan. Residents of the community often become perplexed and frustrated when attempting to determine which government is responsible for what service. The Borough is, for example, responsible for land use regulation on an areawide basis, while the City is charged with enforcement of building codes within its boundaries. Often the two are at odds and the local resident finds himself or herself shuffling back and forth between the two entities for answers.

Depending on the issue, constituents may find themselves in the position of not only having to deal with two government staffs, but two elected boards as well. A consolidated government by its very nature will provide for a higher degree of accountability. One elected board and management staff will be responsible for exercising and providing all areawide and nonareawide powers and services within the community in as an efficient and cost-effective manner as possible. Issues of "turf" will be eliminated and residents of the community will have direct knowledge of who is responsible for satisfying constituent concerns.

4. A CONSOLIDATED GOVERNMENT ENHANCES THE COMMUNITY'S ABILITY TO DETERMINE AREAWIDE POLICIES AND PRIORITIES AND TO REPRESENT ITSELF IN A UNIFIED MANNER WHEN DEALING WITH STATE AND FEDERAL AGENCIES.

Again, both the City and Borough are responsible for separate and distinct services that benefit the entire greater community of Ketchikan. As such, each jurisdiction may have different perspectives as to what policies and projects constitute priorities for the community. The Borough is responsible, for example, for long-term planning and economic development. The City is, on the other hand, charged with providing major regional services and infrastructure to the community. By their very nature each set of powers and services is dependent upon the other when attempting to advance the interests of Ketchikan forward.

The separation of areawide and nonareawide services between the City and Borough does not provide an environment that lends itself well to such a harmonious approach. While each government's jurisdiction promotes its own respective agenda, what benefits the community as a whole can sometimes be over-looked. The Ketchikan Gateway Borough considered, for example, the acquisition of real property, in order to establish a new office complex for a growing Borough staff. At the same time it had been well known that the City of Ketchikan was pursuing the consolidation of the City and Borough and anticipated a vote by residents in late 2000 or early 2001.

Effective comprehensive planning mandates a consolidated government that can establish policies and priorities that integrate the best interests of the entire community as a whole, as opposed to separate jurisdictions only concerned with their respective goals and programs.

A similar assessment can be made with respect to the community's relationship with the State and Federal governments. It is anticipated that consolidation would enhance the community's ability to interact with intergovernmental agencies. Although the community

attempts to work together in promoting an agenda for itself, mixed messages are often sent as the Borough and City compete for their priority issues in an environment of declining federal and state resources. A unified front is absolutely essential within the context of potentially decreasing legislative representation and diminishing Federal and State funding. A consolidated government representing the agreed-upon interests of the entire community will be much more effective in advancing the priorities of Ketchikan forward through the next century.

5. CONSOLIDATION PROVIDES FOR AN EQUITABLE DISTRIBUTION OF THE MANAGEMENT AND COST OF PROVIDING REGIONAL COMMUNITY SERVICES.

Under the status quo several regional services that are used and relied upon by the entire community are provided and paid for by the City. These services include, but are not limited to, the Ketchikan General Hospital; the Gateway Center for Human Services (Mental Health and Substance Abuse); public health services; community cemetery services; community cultural services including the Tongass Historical Museum and the Ted Ferry Civic Center; and the operation and ownership of the telephone and electric utilities. Consolidation will transfer these services and their associated costs to an areawide government.

These areawide services will be provided by a governmental entity that represents the entire area served rather than by a sub-jurisdiction representing City residents only. All residents will become enfranchised regarding the management of these regional services and infrastructure, and subsequently pay their proportionate share of the costs.

6. CONSOLIDATION ENHANCES LOCAL GOVERNMENT'S ABILITY TO PROVIDE FOR EFFECTIVE ECONOMIC DEVELOPMENT AND LONG-TERM PLANNING.

The greater Ketchikan community has been undergoing a significant and difficult economic transition. Traditionally dependent on resource-based industries such as timber and fishing, the local economy has suffered in recent years as the result of lower logging levels in the Tongass National Forest and the uncertainty over international fishing agreements and acceptable allocations. In March of 1997, the community's major employer, Ketchikan Pulp Company, closed its pulp mill operations at Ward Cove. An estimated 500 direct, highly paid positions were eliminated and up to an additional 500 secondary jobs that supported mill operations were lost within the community. During the subsequent years, many families have left the area seeking better economic conditions.

Although both the City and Borough have attempted to support local economic diversification, the separation of powers and services has prevented a unified and effective approach. While the Borough has been utilizing its financial resources to actively promote economic development and the recruitment of new businesses, the City has centered its attention on sustaining such growth in terms of insuring adequate utility capacity and infrastructure. The Borough is currently attempting to develop industrial park facilities on Gravina Island at Lewis Reef and in Ward Cove. Lewis Reef is adjacent to the Ketchikan International Airport and Ward Cove offers properly zoned industrial property on the local

road system. Ward Cove also has one of the finest deep-water port facilities in Southern Southeast Alaska. Such economic development efforts are certainly in the community's best interests. Depending on what type of commercial/manufacturing concerns locate to these facilities, it is uncertain as to whether sufficient electrical capacity will be available to meet increased industrial demand.

Economic development and adequate utility/infrastructure capacity must be managed as a coordinated effort, drawing on the resources of both the City and the Borough, if the community is to successfully grow and prosper. A consolidated home rule borough that is responsible for all areawide and nonareawide powers and services is the best mechanism by which to accomplish this objective.

7. CONSOLIDATION PROVIDES FOR A SINGLE GOVERNMENT ENTITY TO REPRESENT AN AREA THAT IS SOCIALLY AND ECONOMICALLY UNIFIED.

The residents of the City of Ketchikan and the Ketchikan Gateway Borough are strongly integrated in many social and economic respects and share a common community life. Typically, residents of either the City or Borough identify themselves as being from "Ketchikan." The economic, educational, social and religious lives of Ketchikan area residents are well interconnected. The area is further united by areawide education, health and utility (telephone and electric) systems. Demographic and socioeconomic data collected by both the federal and state governments display uniformity in the community (see Exhibit A-2).

Having approximately sixty percent of the total Borough residents, the City of Ketchikan is the most densely populated area within the Borough. Other smaller but well-defined neighborhoods are located on the main road system including Waterfall, North Point Higgins, South Point Higgins, Pond Reef, Forest Park, Shoup Street and Mountain Point. The residents of these neighborhoods have a significant degree of economic reliance on the City of Ketchikan. They have marginal economic bases of their own and most do not have institutions such as churches, banks, post offices or civic associations commonly associated with independent communities. Most of these neighborhoods function as "bedroom" communities, providing a semi-rural housing environment for people working in the City of Ketchikan.

The areas described above have historically been indistinguishable as independent communities. Consolidation of the City and Borough will provide for a single government entity representing a population that shares a common set of social, economic and cultural interests.

EXHIBIT A-1

RECENT KETCHIKAN DAILY NEWS EDITORIALS REGARDING CONSOLIDATION

EDITORIAL

So far, so good

We liked what we heard at the Ketchikan Charter Commission's first meeting this week.

We always like it when a public body commits to openness — but we especially like this body's attitude. Led by Chair Glen Thompson, six of the seven commissioners agreed to many good ideas. (The seventh was out of town.)

The commission wants to reach the public every step of the way as it develops a blueprint for combining the City of Ketchikan and Ketchikan Gateway Borough governments. The panel doesn't want to come up with a document and then hear from us; it wants us to guide the development.

E-mails to the commission will be published where the Internet-surfing citizens can see them, and there will be an online forum with links to documents that can be viewed online. The details haven't been worked out yet, but Dick Kauffman of Sitnews is generously lending his expertise.

They want to communicate with us the old-fashioned way, too.

The group will continue to meet in the City Council chambers for all the right reasons — citizens know it as the place to go, and meetings there can be televised. Those who cannot attend can watch the proceedings from home — or tape the meetings and review them later to be well informed all along the way.

The panel will meet each week, but hasn't yet decided on what day. Members have to work around both the schedule for the chambers, and their own schedules. They are, after all, working folk who have volunteered to perform this service for us all.

But there's a third consideration about meeting days: What's good for you? That's what they want to know. They'd like to hear what you think would be a good meeting day.

They'll be taking comments on that at their next meeting, at 5:30 p.m. Friday, in City Council chambers.

It's only the first of many opinions the commission will seek from you.

Start thinking now about what you want to see in a petition for consolidation, or why you have objected in the past.

We will need to get beyond the simplistic statements both for and against consolidation in order to help the group craft a document voters might accept.

Continued

January 24/25, 2004 (Continued)

For instance, "I don't want to pay for services I don't get" is a universal sentiment. It doesn't hurt to say it, but the commissioners need more from us.

We will be more helpful if we tell them what sort of services are just fine the way they are, and which we might be better off sharing.

Similarly, to say, "It's crazy to have two governments for one little town" isn't helpful or particularly pertinent — after all, most small towns in America are in counties or the local equivalent to a borough, and most have a town government as well.

What's unusual here is the close community of interest our rural and city residents share.

More helpful would be telling the commissioners why we believe having two Ketchikan governments doesn't work.

There are a multitude of reasons, and one is that the state and federal governments often can't figure out what Ketchikan wants, because "Ketchikan" sometimes gives two different answers to the same question.

A consolidated government would mean we would work out our differences at home — as we ought to — and have one answer for those questions to Ketchikan. It can only help our economy, not to mention our image.

At this week's meeting, a failed commission candidate gave commissioners the perfect illustration of the challenge facing them. Eric Muench freely admitted he was running as an anti-consolidation candidate, and told voters not to vote for him unless they agreed with him.

He was one of 11 candidates seeking one of three city seats on the commission.

Most city voters didn't agree with him — he was their 10th choice. But his "no consolidation" resonated with rural voters, who made him their second choice.

With that strength of opinion, they nearly got him a seat on the panel — overall, with combined city and rural votes, Muench was fourth in a race that awarded seats to the top three.

The draft charter — our best chance at getting one government representing most of us on this isolated island (Saxman would be excluded) — will have to answer the concerns of the people who voted for Eric Muench. Most of them voted no on consolidation in 2000 and are inclined to a "no" before seeing the next proposal.

Continued

January 24/25, 2004 (Continued)

City voters have shown that, although they could carry consolidation themselves if they voted in favor of it in large enough numbers, they don't want to drag their neighbors into it kicking and screaming. They want to be fair.

So how can we make this work for everyone? How can we develop a document that rural and city voters alike will study with an open mind before casting their next ballots?

If you didn't like the last consolidation petition — which the state now considers a model for its detail and clarity — what didn't you like about it?

It would be helpful to give it a thoughtful review. You can read that petition online by going to <http://www.dced.state.ak.us/dca/lbc/ketchikan2.htm>.

What could be done differently?

Was the petition fine, but the public relations poor?

What will make people want to participate in the process this time?

This is as good a chance as this island is likely to have to decide the issue of consolidation fairly, without baggage, with this good group of seven, born from a movement of citizens, not government.

Let's not let this one get away from us.

Come to the meeting Friday. They're listening; let's start talking.

End

Wednesday, April 21, 2004
KETCHIKAN DAILY NEWS

EDITORIAL

Make a difference

Tonight the Ketchikan Charter Commission tries something new — meeting on Wednesdays. The hard-working commissioners have been meeting every week since their election in January to hammer out a draft consolidation charter.

They have been committed to a public process — a process to which the public so far has not been similarly committed. But Friday nights at 6 are difficult meeting nights at best; to attend every meeting every Friday was more than even some of the commissioners could do.

But they have a draft consolidation charter now, and it's open for amendment and comments.

Because of the commissioners' determination to make sure the public has every chance to understand every nuance of its work, the Wednesday meetings will continue to be broadcast on Cable Channel 11 beginning at 6 p.m.

The meetings will be on alternating Wednesdays — tonight, and then again on May 5 and 19.

Check the newspaper ads for agendas. Mark the dates on your calendar. Go to the City Council chambers and listen, even if you don't yet feel informed enough about the current effort to comment. Watch from the comfort of your home, or set up a videotape to record the meetings when you can't.

Write down your questions. Visit the Commission's forum at www.sitnews.org. Send commissioners e-mails at charter@kpunet.net.

Learn about the process. Time flies; already the commission is four months into its job. It has only until September to complete its work.

Now is the time to be heard about what disturbs you, or what delights you, about the prospect of consolidation.

When it comes time to vote on the next go-round, let's not hear so many people say, "This is the first I heard about this. Why didn't they let people know what they were doing?"

They are letting people know; the commissioners understand that now is the time for the sort of vibrant give-and-take that will make this charter a living document with a chance at satisfying this island's residents' governmental needs.

Together, let's make this our petition. This effort started out as a people's consolidation process. Let's make sure the commissioners don't have to finish it without us.

8/13/04

EDITORIAL

They're ready

Indeed, months after they began their work in earnest, the Ketchikan Charter Commission is ready for our response. The commissioners have worked with astonishing commitment and dedication, sticking to a schedule that would make lesser beings blanche.

Now they're ready for us.

They have a charter, and they want us to talk about it. Public input thus far has been scarce — except for a few faithful audience members — but the commissioners laid out a detailed plan and budget for consolidating the city and borough governments.

They've wisely deleted some earlier proposals that drew heated opposition, leaving controversial issues to a consolidated municipality's government to handle later — if appropriate. This group truly has attempted to come up with a document that all of Ketchikan, city or rural, can embrace.

The proposed charter is available at the Ketchikan Public Library as well as city and borough offices. Soon, it will be available online.

The elected commission has gone about its work methodically, and now wants to hear locals' reactions to the product. The commission will be sending the charter on to the state by Sept. 30, so now is the time to make comments that can change things.

The first hearing is tonight at 7 p.m. in the City Council chambers. They'll have another hearing in a week, on Aug. 20, again at 7 p.m. If a weekday evening doesn't work for you, they've even slated a noon public hearing for Saturday, Aug. 28.

The commissioners — our friends and neighbors who have tackled this huge task on our behalf — are putting no time limit on public testimony. They really want this effort to succeed and, as commissioner and group secretary Deborah Otte told a reporter, "Hopefully there will be a roaring crowd and we'll be there very late."

All along, this consolidation has been a different style than previous efforts. This one alone came from citizens, not government. This one alone televised every one of its meetings.

This group has been absolutely faithful to the public process, and sought widespread public input at every juncture.

Let's make this effort different in our response, as well. This time, let's read the proposal and respond now, when we can make a difference.

Then, when it's time to vote on consolidation, let's say, "I'm familiar with the proposal, and I vote this way" instead of Ketchikan's perennial complaint, "Why didn't I hear anything about this until now?"

That hasn't been true in the past, but it's especially not true of this effort. The information is out there for all to assimilate.

This commission deserves our sincere gratitude, as well as the courtesy of our comments.

And this community deserves to give this plan a good airing before we go to the polls on the issue.

EDITORIAL

Last local chance

Tonight is the final local public hearing — though not the final opportunity — to say your piece or ask your questions about the current drive to consolidate the city and borough.

The Ketchikan Charter Commission has done everything but stand on its head to get public input for the proposed charter that's about to go to the Alaska Local Boundary Commission. Tonight's hearing begins at 7 p.m. in the City Council chambers.

The commission has wound up with a proposal for a new consolidated government called Ketchikan (the Municipality of Ketchikan when such formality is needed). What's now the City of Ketchikan will be the Gateway Service Area.

Most property taxes will be a wash: Current city residents, who pay \$13.90 for each \$1,000 of assessed valuation, will continue to pay that rate as residents of the new Gateway Service Area.

Residents outside the city will, with the exception of Saxman residents, pay the same taxes they pay now, ranging from \$8.70 per \$1,000 (in places that aren't in a service area), to \$13.20 per \$1,000 (in the Forest Park Service area). Residents in all the service areas will pay exactly the same property taxes as now under the proposed charter.

Saxman's rate, which still will be the lowest in the borough at \$8.70 per \$1,000 of assessed valuation, will be a \$1.20 increase from the current \$7.50 rate.

Borough sales tax, now at 2.5 percent, will go up to 3.75 percent. That's a 1.25 percent increase over the current rate outside the city, including Saxman. Within the city, although the numbers will be arrived at differently, the total sales tax will remain at 6 percent.

The so-called bed tax, formally known as the transient occupancy tax, will be 7 percent across the board. That's a 3 percent increase outside the city, but the same as the current city rate.

The charter includes a cap on borough-wide property taxes at \$10 per \$1,000 of assessed value and requires the "yea" of 5 of 7 Assembly members to increase any tax or fee, instead of the usual simple majority.

Voters throughout the borough, not just in the city, will be part of the decision making process for Ketchikan Public Utilities and Ketchikan General Hospital.

The city won't lose any assets; they'll become assets of the Gateway Service Area. Saxman will remain independent.

The Ketchikan School Board will remain separate, though it will be funded locally, as now, through the municipal government.

Continued

September 17, 2004 (Continued)

The powers the new government will have throughout the municipality — areawide powers — are library, museum, civic center, hospital, public health, parks and recreation, ports and harbors, cemetery, 9-1-1 dispatch, airport, public transportation, animal control, economic development and solid waste disposal.

Other powers will be specific to service areas or non-area-wide: police, streets and roads, building code enforcement, fire suppression and emergency medical services, sewers and solid waste collection.

If the community as a whole decides it wants to change that mix of powers, it can certainly do so later.

The commission has tried to accommodate all residents to come up with a charter we all can live with. Did they do it?

If you think not, let them know tonight and they'll do their best to fix it.

There will be more hearings after the document goes to the state's Local Boundary Commission. But let's be thinking about it so when it's time to vote — in a little more than a year — we know we've given it our best shot as a community.

EXHIBIT A-2 Community Uniformity

City of Ketchikan and the Ketchikan Gateway Borough

The following information demonstrates that the City of Ketchikan and the Ketchikan Gateway Borough are socially and economically unified and interrelated.

Demographic Data Of The Community (Based on 2000 U.S. Census figures)

Age Group	<5	5-14	15-19	20-34	35-44	45-59	60-74	75+
Borough 14,070	964	2,322	1,044	2,476	2,629	3,043	1,123	469
% of Total	6.8 %	16.5 %	7.4 %	17.6 %	18.7 %	21.6 %	7.9 %	3.3 %
City 7,922	566	1,188	590	1,510	1,393	1,628	702	345
% of Total	7.1 %	14.9%	7.4 %	19 %	17.6 %	20.5 %	8.8 %	4.3 %

Race Make-up	Ketchikan Gateway Borough	City of Ketchikan
Caucasian	74.3 %	67.4%
Native	19.1 %	22.7%
Asian and Pacific	4.4 %	7.05%
African-American	.5%	.7%

Population Data Of The Community (Based on Alaska Department of Labor) Population Growth

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003
Borough	14,764	14,654	14,500	14,143	13,961	14,070	13,855	13,670	13,548
% Change		-.7 %	- 1.1%	- 2.5%	-1.3%	+ .7%	- 1.5%	- 1.3%	- .9%
City	8,616	8,666	8,507	8,402	8,320	7,922	7,656	7,845	8,002
% Change		+ .6%	- 1.8%	- 1.2%	- 1 %	- 4.8%	- 3.3%	+ 2.4%	+ 2%

Economic Data Of The Community (Based on 2000 U.S. Census)

Median Family Income (1999\$):	City of Ketchikan	\$45,802
	Ketchikan Gateway Borough	\$51,344
Median Value Of Home (1999\$):	City of Ketchikan	\$143,700
	Ketchikan Gateway Borough	\$165,000

Education (K - 12) Information

One School District (Ketchikan School District) serves the entire Ketchikan Community. The School District has one high school (9 through 12), one middle school (7 and 8) and one alternative secondary school (7 through 12), all of which are located within the City of Ketchikan. The School District has three elementary schools, with a fourth school scheduled to be built soon after the filing of this petition. All elementary schools are open enrollment-type schools, allowing parents, regardless of where they reside, to enroll their child in the elementary school of their choice. The community also has two elementary Charter Schools located within one of the above-mentioned elementary facilities. Similar to other elementary schools, enrollment in the Charter Schools is available to all community residents regardless of where they reside.

Health Care/Social Service Information

The Ketchikan Community has one hospital that serves not only the Ketchikan Community but Southern Southeast Alaska. Ketchikan General Hospital is owned by the City of Ketchikan and operated by Peace Health Corp. through a long-term agreement with the City. The City also provides social services (mental health and substance abuse) to the same population through its Gateway Center For Human Services Department. Use and/or cost of health care and social services is not differentiated by location of residence.

Cultural Information

The City of Ketchikan owns and operates the community library, community museum, Totem Heritage Center and Civic Center. The use and enjoyment of these cultural facilities are shared by all Ketchikan Community residents.

Religious Information

The Ketchikan Community has in excess of twenty-five churches of various denominations located both inside and outside the City of Ketchikan. Of churches located within the Ketchikan Community, there is little, if any, duplication of doctrine and each church serves the community as a whole.

Utility Information

The City of Ketchikan, through Ketchikan Public Utilities, is the sole provider of electrical power and local telephone service throughout the Ketchikan community. The City also operates the only certified residential solid waste landfill in the Ketchikan area and affords solid waste disposal services to all Ketchikan community residents.

EXHIBIT B-1

Written Metes and Bounds Legal Description of the Boundaries of the Home Rule Borough Proposed for Incorporation Through Consolidation (same as boundaries of second class borough proposed for dissolution through consolidation)

An area encompassing all those islands bounded on the east, north, and west by Behm Canal, Behm Narrows, and Clarence Strait to its junction with Nichols Passage, and on the south by Nichols and Revillagigedo Channel to its junction with Behm Canal. The designated boundaries extend to the centerline of Behm Canal, and Behm Narrows, Clarence Strait, Nichols Passage, and Revillagigedo Channel, and include all the area of Revillagigedo, Gravina, Pennock, Betton, Grant, and other Clover Passage and Naha Bay islands, Hassler, Gedney, Black, Smeaton, Manzanita, Rudyerd, and Bold Islands, and all other offshore and adjacent islands and islets thereto. The area encompassed contains about 1,743.6 square miles (1,219.7 of land and 523.9 of water).

EXHIBIT B-2

Map Showing the Boundaries of the Home Rule Borough Proposed for Incorporation Through Consolidation (same as boundaries of second class borough proposed for dissolution through consolidation)

EXHIBIT C-1

Written Metes and Bounds Legal Description of the Existing Boundaries of the City of Ketchikan Which Would be Dissolved Through Consolidation

(The second class Ketchikan Gateway Borough is also dissolved; its legal description and map are the same as shown in exhibit B-1 and B-2 for the new home rule borough.)

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

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

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

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

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

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

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

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

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

thence S 26 degrees 23 minutes 03 seconds E a distance of 1632.09 feet;

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

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

thence S 46 degrees 06 minutes W a distance of 1986.44 feet along the northwest boundary of U.S.S 1584 and A.T.S. 118 to a point in Tongass

Narrows;

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

thence N 54 degrees 53 minutes 54 seconds W a distance of 8487.96 feet to a point in Tongass Narrows;

thence N 65 degrees 35 minutes 45 seconds W a distance of 2633.28 feet to a point in Tongass Narrows;

thence N 67 degrees 10 minutes 56 seconds W a distance of 3111.05 feet to a point in Tongass Narrows;

thence N 49 degrees 25 minutes 17 seconds W a distance of 4796.14 feet to a point in Tongass Narrows;

thence N 40 degrees 05 minutes 33 seconds W a distance of 5170.26 feet to a point in Tongass Narrows;

thence N 39 degrees 23 minutes 44 seconds W a distance of 9853.56 feet to a point in Tongass Narrows, this point also being S 59 degrees 6 minutes W a distance of 1000 feet from Corner MC-1 of ATS 503;

thence N 29 degrees 56 minutes 46 seconds W a distance of 1812.83 feet to a point in Tongass Narrows, this point also being West a distance of 1000 feet from the northwest corner of ATS 700;

thence N 08 degrees 41 minutes 10 seconds E a distance of 2858.59 feet to a point in Tongass Narrows, this point also being West a distance of 1000 feet from corner 1 of ATS 1201;

thence N 11 degrees 43 minutes 32 seconds E a distance of 1498.43 feet to a point in Tongass Narrows;

thence S 58 degrees 08 minutes E a distance of 1000 feet to the northeast corner of ATS 464 this point being on the west Right-of-Way boundary of North Tongass Highway;

thence S 39 degrees 24 minutes W a distance of 32.10 feet along said Right-of-Way boundary;

thence S 37 degrees 55 minutes W a distance of 20.38 feet along said Right-of-Way boundary;

thence S 52 degrees 48 minutes E a distance of 57.59 feet along said Right-of-Way boundary to a point on the north boundary line of U.S.S 1732;

thence N 65 degrees 30 minutes E a distance of 13.05 feet along said north boundary line to Corner MC-1 of U.S.S 1732;

thence South a distance of 210.54 feet along the east boundary of U.S.S 1732 to Corner 2 of U.S.S 1732;

thence West a distance of 55.44 feet along the south boundary of U.S.S 1732 to its point of intersect with the east boundary of U.S.S 1271, this point also being Corner 1 of U.S.S 1271;

thence South a distance of 561.00 feet along said east boundary of U.S.S 1271 to Corner 4 of U.S.S 1271, this point being on the north boundary of U.S.S 1952;

thence East a distance of 198.66 feet along the north boundary of U.S.S 1952 to Corner 2 of said survey;

thence South a distance of 1289.64 feet along the east boundary of U.S.S 1952 to Corner 3 of said survey;

thence West a distance of 339.67 feet along the south boundary of U.S.S 1952 to its point of intersection with the east Right-of-Way boundary of North Tongass Highway, this point being on a curve;

thence along a curve, concave to the southeast, radius of 1350.54 feet, arc distance of 99.06 feet, along the east Right-of-Way boundary of North Tongass Highway to its point of intersection with east boundary of U.S.S 1665;

thence South a distance of 228.26 feet along the east boundary of U.S.S 1665 to Corner 3 of said survey, this point being on the north boundary of U.S.S 1417;

thence East a distance of 114.64 feet along the north boundary of U.S.S 1417 to Corner 3 of said survey;

thence South a distance of 622.03 feet along the east boundary of U.S.S 1417 to its point of intersection with the north boundary line of U.S.S 2277, also being Corner 2 of U.S.S 2277;

thence East a distance of 894.85 feet along the north boundary of U.S.S 2277 to Corner 3 of said survey;

thence South a distance of 704.80 feet along the east boundary of U.S.S 2277 to its point of intersection with the north boundary line of U.S.S 1744, this point also being Corner 4 of U.S.S 2277;

thence East a distance of 3249.18 feet along the north boundary of U.S.S 1744 and U.S.S 2270 to Corner 5 of U.S.S 2270;

thence South a distance of 3550.81 feet along the east boundary of U.S.S 2270 to Corner 6 of said survey;

thence East a distance of 1202.52 feet along the north boundary of U.S.S 1833 to Corner 4 of said survey;

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

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

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

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

thence West a distance of 190.27 feet along the south boundary of U.S.S 2796 to corner 3 of U.S.S 1404;

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

thence S 38 degrees 40 minutes 00 seconds E a distance of 42.65 feet along the Right-of-Way to its point of intersection with the north boundary of U.S.S 1587;

thence East a distance of 1535.09 feet along the north boundary of U.S.S 1587 to the Corner of Block 1, Tract 1001, U.S.S 1587;

thence S 89 degrees 59 minutes 30 seconds E a distance of 176.42 feet along the north boundary of U.S.S 1587;

thence N 89 degrees 59 minutes 45 seconds E a distance of 1478.11 feet along the north boundary of U.S.S 1587;

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

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

thence southeasterly along the northeast boundary of U.S.S 1378 and the northeast boundary of the Kentucky Lode Claim, U.S.M.S. 769 to a point on the northern boundary of the Third Avenue Extension Right-of-Way;

thence easterly along said Right-of-Way boundary to its point of intersection with the western boundary of Tract F, of Tract 1004 within U.S.M.S. 769;.

thence northerly along said boundary of Tract F to its point of intersection with the common boundary between the Columbia and Potosi Lode Claims, U.S.M.S. 769 as shown on the plat of the Claims of James A. Davis, Mineral Survey 769, recorded May 7, 1904, Juneau Land District;

thence northwesterly along said common boundary of the Columbia and Potosi Lode Claims to the northwest corner of the Columbia Lode Claim, this point being in common with corner 4 of Potosi Lode Claim and also being on the western boundary of U.S.M.S. 769;

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

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

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

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

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

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

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

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

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

thence a bearing of south to the true point of beginning, containing approximately 3566 acres or 5.6 square miles, more or less.

EXHIBIT C-2

**Map Showing the Existing Boundaries of the
City of Ketchikan That Would Be Dissolved
Through Consolidation**

EXHIBIT D

Composition and Apportionment of the Assembly of the Proposed Home Rule Borough to be Formed Through Consolidation

The existing City of Ketchikan and the Ketchikan Gateway Borough are each governed by legislative boards comprised of seven members and a mayor, which results in a total of sixteen elected positions representing the two municipal governments. The Ketchikan Gateway Borough School Board, which is unaffected by this petition, is comprised of an additional six school board members and president. All of these positions are elected at-large within respective boundaries of the governmental units.

The Assembly of the proposed Municipality of Ketchikan will consist of seven assemblymembers and a mayor. All of these positions will be elected at-large for a three year term except for the first election, at which time terms will be staggered as set forth in paragraph (c) of Section 2.02 of Article II of the proposed Charter. The consolidation will result in a reduction of eight elected positions. No apportionment plan is required as a result of all positions on the Assembly being elected at-large. Several options including equal population districts, multi-member districts and a combination of both multimember and at-large districts were examined during the drafting of the proposed Charter.

The at-large election alternative was chosen as a result of the following considerations:

1. The process currently used of selecting City and Borough representatives from an at-large pool of candidates is well accepted and understood in the two municipalities.
2. The continuation of an at-large electoral system will serve to lessen the amount of change and disruption to voters of the consolidated home rule borough.
3. An at-large electoral process will provide the opportunity for residents within any area of the borough to serve the entire community.

EXHIBIT E-1

Written Metes and Bounds Legal Description of the Boundaries of Each Proposed Service Area

The services, powers, boundaries and revenue sources of eleven of the existing twelve borough service areas remain unchanged. The area descriptions of the service areas are as adopted in the Code of Ordinances of the Ketchikan Gateway Borough. At the time a vote on consolidation occurs, a new service area will be formed, the Gateway Service Area, which encompasses the boundaries of the existing City of Ketchikan.

1. Gateway Service Area (former City, et. al.):¹

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

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

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

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

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

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

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

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

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

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

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

¹ The dissolution of the City of Ketchikan will result in the formation of a new service area to be identified as the Gateway Service Area.

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

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

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

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

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

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

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

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

thence N 39° 23' 44" W a distance of 9853.56 feet to a point in Tongass Narrows, this point also being S 59° 6' W a distance of 1000 feet from Corner MC-1 of ATS 503;

thence N 29° 56' 46" W a distance of 1812.83 feet to a point in Tongass Narrows, this point also being West a distance of 1000 feet from the northwest corner of ATS 700;

thence N 08° 41' 10" E a distance of 2858.59 feet to a point in Tongass Narrows, this point also being West a distance of 1000 feet from corner 1 of ATS 1201;

thence N 11° 43' 32" E a distance of 1498.43 feet to a point in Tongass Narrows;

thence S 58° 08' E a distance of 1000 feet to the northeast corner of ATS 464 this point being on the west right of way boundary of North Tongass Highway;

thence S 39° 24' W a distance of 32.10 feet along said right of way boundary;

thence S 37° 55' W a distance of 20.38 feet along said right of way boundary;

thence S 52° 48' E a distance of 57.59 feet along said right of way boundary to a point on the north boundary line of U.S.S. 1732;

thence N 65° 30' E a distance of 13.05 feet along said north boundary line to

Corner MC-1 of U.S.S. 1732;

thence South a distance of 210.54 feet along the east boundary of U.S.S. 1732 to Corner 2 of U.S.S. 1732;

thence West a distance of 55.44 feet along the south boundary of U.S.S. 1732 to its point of intersect with the east boundary of U.S.S. 1271, this point also being Corner 1 of U.S.S. 1271;

thence South a distance of 561.00 feet along said east boundary of U.S.S. 1271 to Corner 4 of U.S.S. 1271, this point being on the north boundary of U.S.S. 1952;

thence East a distance of 198.66 feet along the north boundary of U.S.S. 1952 to Corner 2 of said survey;

thence South a distance of 1289.64 feet along the east boundary of U.S.S. 1952 to Corner 3 of said survey;

thence West a distance of 339.67 feet along the south boundary of U.S.S. 1952 to its point of intersection with the east right of way boundary of North Tongass Highway, this point being on a curve;

thence along a curve, concave to the southeast, radius of 1350.54 feet, arc distance of 99.06 feet, along the east right of way boundary of North Tongass Highway to its point of intersection with east boundary of U.S.S. 1665;

thence South a distance of 228.26 feet along the east boundary of U.S.S. 1665 to Corner 3 of said survey, this point being on the north boundary of U.S.S. 1417;

thence East a distance of 114.64 feet along the north boundary of U.S.S. 1417 to Corner 3 of said survey;

thence South a distance of 622.03 feet along the east boundary of U.S.S. 1417 to its point of intersection with the north boundary line of U.S.S. 2277, also being Corner 2 of U.S.S. 2277;

thence East a distance of 894.85 feet along the north boundary of U.S.S. 2277 to Corner 3 of said survey;

thence South a distance of 704.80 feet along the east boundary of U.S.S. 2277 to its point of intersection with the north boundary line of U.S.S. 1744, this point also being Corner 4 of U.S.S. 2277;

thence East a distance of 3249.18 feet along the north boundary of U.S.S. 1744 and U.S.S. 2270 to Corner 5 of U.S.S. 2270;

thence South a distance of 3550.81 feet along the east boundary of U.S.S. 2270 to Corner 6 of said survey;

thence East a distance of 1202.52 feet along the north boundary of U.S.S. 1833 to Corner 4 of said survey;

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

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

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

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

thence West a distance of 190.27 feet along the south boundary of U.S.S. 2796 to corner 3 of U.S.S. 1404;

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

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

thence East a distance of 1535.09 feet along the north boundary of U.S.S. 1587 to the Corner of Block 1, Tract 1001, U.S.S. 1587;

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

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

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

thence a bearing of South a distance of 3180.91 feet along the east boundary of

U.S.S. 1229 to Corner 3 of U.S.S. 1378;

thence southeasterly along the northeast boundary of U.S.S. 1378 and the northeast boundary of the Kentucky Lode Claim, U.S.M.S. 769 to a point on the northern boundary of the Third Avenue Extension right-of-way;

thence easterly along said right-of-way boundary to its point of intersection with the western boundary of Tract F, of Tract 1004 within U.S.M.S. 769;

thence northerly along said boundary of Tract F to its point of intersection with the common boundary between the Columbia and Potosi Lode Claims, U.S.M.S. 769 as shown on the plat of the Claims of James A. Davis, Mineral Survey 769, recorded May 7, 1904, Juneau Land District;

thence northwesterly along said common boundary of the Columbia and Potosi Lode Claims to the northwest corner of the Columbia Lode Claim, this point being in common with corner 4 of Potosi Lode Claim and also being on the western boundary of U.S.M.S. 769;

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

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

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

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

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

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

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

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

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

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

thence a bearing of south to the true point of beginning, containing approximately 3566 acres or 5.6 square miles, more or less.

2. Forest Park Service Area:

All lots, tracts, rights-of-way and reserved areas of the Forest Park Subdivision, being a portion of U.S. Survey 1802, per map recorded as Plat 74-6 and filed on April 8, 1974 and the map recorded as Plat 76-2 and filed on January 20, 1976; and the entire Gunner Street right-of-way as shown on the Gunner Benson subdivision, being a portion of U.S. Survey 1397, per map recorded in Packet 205, filed on May 24, 1971 in the office of the Ketchikan District Recorder, First Judicial District, State of Alaska, all within the Ketchikan Gateway Borough containing 81.52 acres.

3. Gold Nugget Service Area:

Beginning at a brass cap monument at Corner 2, Gold Nugget No. 1 Lode, U.S. Mineral Survey 1475, identical to Corner 8, U.S. Survey 1782, located 3½ mile South Tongass Highway, Ketchikan Recording District, First Judicial District, State of Alaska, the true point of beginning for this description;

thence south 42 degrees 05 minutes east, 662.28 feet;

thence south 27 degrees 44 minutes west, 151.89 feet;

thence south 62 degrees 16 minutes east, 75.00 feet;

thence south 27 degrees 44 minutes west, 100.00 feet;

thence along the northerly right-of-way of Tongass Highway north 62 degrees 16 minutes west, 513.28 feet;

thence south 33 degrees 12 minutes west, 314.32 feet to a point on the mean high water line of Tongass Narrows;

thence along said mean high water line north 34 degrees 57 minutes west, 248.1 feet to Cornell, Gold Nugget No. 1 Lode, identical with Corner 4, Gold Nugget Mining Claim Lode;

thence north 34 degrees 20 minutes east, 209.83 feet;
thence along the northerly right-of-way of Tongass
Highway north 62 degrees 37 minutes 04 seconds west,
396.94 feet:

thence north 27 degrees 44 minutes east, 158.93 feet:

thence north 34 degrees 01 minutes 40 seconds west,
113.51 feet:

thence south 27 degrees 44 minutes west, 71.25 feet;

thence north 62 degrees 37 minutes 04 seconds west,
185.00 feet;

thence south 27 degrees 44 minutes west, 48.30 feet;

thence north 62 degrees 37 minutes 04 seconds west,
201.00 feet;

thence north 27 degrees 44 minutes east, 92.30 feet;

thence north 62 degrees 37 minutes 04 seconds west,
151.00 feet;

thence south 27 degrees 44 minutes west, 92.30 feet;

thence north 62 degrees 37 minutes 04 seconds west,
205.50 feet,

thence south 5 degrees 36 minutes west, 119.5 feet,

thence along the northerly right-of-way of Tongass
Highway north 73 degrees 33 minutes west, 20.98 feet;

thence north 5 degrees 36 minutes east, 107.7 feet;

thence north 84 degrees 24 minutes west, 75.00 feet;

thence north 83 degrees 35 minutes west, 56.1 feet;

thence north 3 degrees 50 minutes east, 244.1 feet;

thence north 34 degrees 22 minutes 46 seconds east, 49.69 feet;

thence north 34 degrees 19 minutes 08 seconds east, 606.61 feet to Corner 2, Gold Nugget No. 2 Lode, identical with Corner 6, U.S. Survey 1782;

thence south 59 degrees 12 minutes east, 1498.17 feet to Corner 3, Gold Nugget No. 2 Lode, identical with Corner 7, U.S. Survey 1782;

thence south 34 degrees 20 minutes west 444.37 feet to the true point of beginning containing 32.04 acres, more or less.

4. Mud Bight Service Area:

All of that portion of U.S. Survey 3769, Lot 2, encompassing within Alaska State Land Survey 79-243, the Mud Bight Alaska Subdivision according to Plat No. 80-35 as filed in the Ketchikan Recording District, First Judicial District, State of Alaska.

5. South Tongass Service Area:

That certain parcel or tract of land located on Revillagigedo Island, generally situated between the southeasterly city limits of the City of Ketchikan, Alaska, and Herring Bay, encompassing all of U.S. Survey Nos. 1584,1265,1397, 1705, 1080, 1734, 1782,1697, 1769, 1627, 2402, 3397, 3396, 3803, 2269, 2268, 2315, 2192, 2297, 2318, 2290, 2376, 3277, 2217, 2405, 2191, 2404, 2608, 3278, 2218, 2403, 2801, and 3385; portions of U.S. Survey Nos. 1802, 1767, 1526,1698, and 3537; all of U.S. Mineral Survey 1475; all that portion of U.S. Survey 1667 lying southerly and easterly of the southeasterly city limits of the City of Ketchikan, Alaska; a partially surveyed tract of land within Township 75 South Range 91 East and Township 76 South Range 91 East Copper River Meridian, Alaska more particularly described as follows:

Commencing at Corner No. 3 of U.S. Survey No. 1761, the true point of beginning;

thence south 14 degrees 30 minutes east a distance of 6,519 feet, along the line of U.S. Survey No. 1761 to Corner No. 2 of Said U.S. survey;

thence south 45 degrees 00 minutes east a distance of 1,680 feet, along the line of said U.S. survey to Corner No. 1 of U.S. Survey No. 3802;

thence north 39 degrees 00 minutes east a distance of 2,475 feet, along the line of U.S. Survey No. 3802 to Corner No. 2 of said U.S. survey;

thence north 23 degrees 00 minutes east, a distance of 5,526 feet along said U.S. survey to Corner No. 3 of said U.S. survey;

thence north 85 degrees 44 minutes west a distance of 6,555 feet to Corner No. 3 of U.S. Survey 1761, the true point of beginning, which tract includes a portion of Alaska State Land Survey No. 80-187; all of U.S. Survey No. 3802, which survey overlaps a portion of Alaska State Land Survey No. 80-187; all that portion of U.S. Survey No. 1761 lying southerly and easterly of the southeasterly city limits of Ketchikan, Alaska, which portion overlaps a portion of Alaska State Land Survey No. 80-187;

Except the following area which is included within the corporate boundaries of the City of Saxman and containing portions of U.S. Survey Nos. 1767, 1761, 1698, 1526, 3537 and 1802 and all of U.S. Survey Nos. 1652, 1652A, 920, 1279 and 1666 and described more particularly as follows:

Beginning at the shoreline of Tongass Narrows on the easterly side a distance of 40 chains northwesterly of U.S. Land Monument No. 5 for Corner No. 1; running through a concrete monument on said shoreline north 45 degrees 30 minutes east a distance of 80 chains to Corner No. 2;

thence south 44 degrees 24 minutes east a distance of 75.71 chains to Corner No. 3;

thence south 45 degrees 36 minutes west a distance of approximately 76 chains to the meander line of Tongass Narrows to Corner No. 4;

thence following the meander line of the mean low tide to Corner No. 1, the place of beginning, containing an area approximately one mile square, but not more than 640 acres.

All of the above described parcels, except the area included

within the corporate boundaries of the City of Saxman as such exists on September 7, 1982, together contain an area of 4.2 square miles, more or less, and include the tidelands adjacent to the above described areas.

6. North Tongass Fire and EMS Service Area:

The North Tongass Fire and Emergency Medical Services Area shall consist of the following described area:

That certain parcel, or tracts of land located on Revillagigedo Island, generally situated between the northern city limits of the City of Ketchikan and the northern end of State Highway #7 located south of Lunch Creek in ASLS 88-87. This will also include the roaded area from the intersection of North Tongass Highway and Revilla Road, north to Harriet Hunt Lake and also the roaded area to Ward Lake.

Included in their entirety are Tract Nos. 1003 and 3004; and Survey Nos. 812, 815, 1056, 1192, 1207, 1208, 1508, 1653, 1655, 1656, 1658, 1659, 1706, 1754, 1862, 1923, 1959, 2090, 2165, 2190, 2204, 2226, 2295, 2343, 2347, 2553, 2554, 2555, 2556, 2603, 2604, 2606, 2632, 2678, 2802, 2803, 2804, 2805, 2806, 2807, 2808, 2899, 2923, 3019, 3020, 3021, 3022, 3087, 3088, 3089, 3090, 3092, 3152, 3153, 3154, 3155, 3156, 3157, 3158, 3163, 3275, 3387, 3399, 3400, 3524, 3540, 3541, 3663, 3681, 3701, 3703, 3762, 3767, 3768, 3769, 3833, 3834, 3848, and 5525; KGB Subdivision #81-01 (Waterfall Service Area), ASLS 79-243 (Mud Bight Service Area), ASLS 81-39, ASLS 85-73 and ASLS 95-14.

Portion of ASLS 88-87 that lies at the northerly end of the highway and south of Lunch Creek. Also included, all platted ROW located within township 74S, R90E sections 23, 24, 26, 34 and 35. A portion of U.S.S 3835 that lies easterly and northerly of the northern end of the city limits of Ketchikan, Alaska, more particularly described as follows:

Commencing at Corner No. 5 of U.S.S 1744, the true point of beginning,
thence northeasterly to a point perpendicular to the northern boundary of U.S.S 3835,

thence along the northerly boundary of U.S.S 3835 to the intersection of U.S.S 3835
and U.S.S 2632,

thence S 68 degrees 10 minutes W a distance of 149.82 feet along the line of said U.S
Survey;

thence S 56 degrees 47 minutes W a distance of 266.44 feet along the line of said U.S
Survey;

thence S 48 degrees 49 minutes W a distance of 237.6 feet along the line of said U.S
Survey to the eastern boundary of U.S.S 1658;

thence along the boundary south a distance of 133.32 feet;

thence west a distance 99.66 feet to the eastern boundary of U.S. S 1508;

thence south a distance 976.8 feet;

thence S 31 degrees 48 minutes W a distance of 1067.22 feet;

thence N 58 degrees 12 minutes W a distance of 463.98 feet to the northeast corner of U.S.S 1659;

thence south a distance of 295.68 feet to the intersection of U.S.S 1605 and U.S.S 3834;

thence S 01 degree 17 minutes W a distance of 776.82 feet;

thence west a distance of 271.65 feet to the intersection of U.S.S 3834 and U.S.S 1653;

thence west a distance of 316.8 feet to the intersection of U.S.S 1653 and U.S.S 3833;

thence south a distance of 549.12 feet;

thence west a distance of 399.66 feet to the intersection of U.S.S 3833 and U.S.S 1656;

thence west a distance of 295.68 feet to the northerly boundary of U.S.S 1207;

thence S 42 degrees 55 minutes E a distance of 199.98 feet;

thence S 47 degrees 05 minutes W a distance of 500.28 feet;

thence S 04 degrees 34 minutes E a distance of 717.42 feet;

thence S 44 degrees 50 minutes E a distance of 246.84 feet;

thence S 41 degrees 37 minutes W a distance of 1120.68 feet;

thence N 52 degrees 49 minutes E a distance of 1232.88 feet Corner No. 2 of U.S.S 1732;

thence westerly along the southerly boundary line of U.S.S 1732 a distance of 55.44 feet to U.S.S 1271, Corner No. 1;

thence south a distance of 561 feet;

thence east a distance of 198.66 feet;

thence south a distance of 1289.64 feet;

thence west a distance of 375.54 feet to the eastern edge of the North Tongass Highway ROW;

thence southwesterly along the said ROW to a point where the ROW intersects U.S.S 1665;

thence south a distance of 228.26 feet;

thence east a distance of 114.84 feet;

thence south a distance of 621.06 feet;

thence east a distance of 894.85 feet;

thence south a distance of 704.8 feet;

thence east to U.S.S 1744 Corner No. 5 and the true point of beginning.

All of the above-described parcels, and tidelands adjacent to the above-described areas are included within the service area.

7. Waterfall Creek Service Area:

All of the real property located within the Ketchikan Gateway Borough, Ketchikan Recording District, First Judicial District, State of Alaska, described as follows:

Alaska State Land Survey 70-11 located within Lot 4, U.S.S. 5525, and protracted Sections 32 and 33, Township 73 South, Range 90 East; Sections 4 and 6, Township 74 South, Range 90 East, Copper River Meridian, and filed in the Ketchikan Recording District, First Judicial District, State of Alaska as Plat No. 71-1172, May 25, 1971.

8. Nichols View Service Area:

Those portions of U.S. Survey 3802 and lot 15, U.S. Survey 3835 described as follows:

Beginning at Corner No. 3, U.S. Survey 1769, the same being Corner No. 11 of lot 15, U.S. Survey 3835 (formerly U.S. Survey 1761) as shown on the official U.S. Government plats thereof and the true point of beginning;

thence in a northwest direction along the boundary line of

U.S. Survey 1769 and lot 15, U.S. Survey 3835 a distance of 2,120.00 feet;

thence north a distance of 940.0 feet;

thence east a distance of 450.00 feet;
thence south 41 degrees 11 minutes 00 seconds east a distance of 1363.70 feet;

thence south 14 degrees 17 minutes 43 seconds east a distance of 550.00 feet to Corner No. 9 of Lot 15, U.S. Survey 3835;

thence south 87 degrees 00 minutes 04 seconds east a distance of 1256.73 feet;

thence north a distance of 750.00 feet;
thence east a distance of 1,440.00 feet to the intersection with the boundary line of U.S. Survey 3802, line 1-2;

thence south 36 degrees 22 minutes 38 seconds east a distance of 133.90 feet to the intersection with the centerline of the Tongass Highway Bypass as shown on Sheet 3 of 4, Alaska State Land Survey 80-187, recorded as Plat No. 81-47, Ketchikan Recording District, First Judicial District, State of Alaska;

thence in a southwesterly direction along said centerline a distance of 1,888.58 feet to the intersection with the centerline of Whitman Drive as shown on the aforementioned plat;

thence south 60 degrees 19 minutes east approximately 76 feet to the intersection with the extension of the northerly boundary line of lots 16,17 and 18, block 6, Alaska State Land Survey 80-187 of said recording district, north 55 degrees 11 minutes 59 seconds east;

thence south 55 degrees 11 minutes 59 seconds west approximately 341 feet to the northwesterly corner of lot 16 of said block, the same being the most northerly corner of lot 15 of said block;

thence south 37 degrees 28 minutes 02 seconds west a

distance of 177.36 feet to Corner No. 3, U.S. Survey 1627;

thence west along the north boundary line of U.S. Survey 1627 a distance of 1549.95 feet to Corner No. 2, the true point of beginning containing 130 acres more or less.

9. Deep Bay Service Area:

Lot 3, U.S. Survey No. 5525, Alaska, according to the survey plat of U.S. Survey No. 5525, Alaska, Lots 1 through 4, accepted by the United States Department of the Interior, Bureau of Land Management in Washington, D.C., on March 8, 1971.

10. Long Arm Service Area:

Lot 2, U.S. Survey No. 5525, Alaska, according to the survey plat of U.S. Survey No. 5525, Alaska, Lots 1 through 4, accepted by the United States Department of the Interior, Bureau of Land Management in Washington, D.C., on March 8, 1971.

GLO Lot 1, Section 31; GLO Lots 6, 7, 8, 9, 10, Section 32; GLO Lot 12, Section 33; according to the survey plat of a portion of Township 72 South, Range 90 East, Copper River Meridian, Alaska, in two sheets, accepted by the Department of the Interior, General Land Office in Washington, D.C., on May 3, 1937.

11. Vallenar Bay Service Area:

Commencing at USLM #129, a GLO Brass Cap on the southwest side of Vallenar Bay as shown on the official plat of U.S.S. 1350;

thence N 51 degrees 19 minutes 14 seconds W a distance of 1108.74 feet to Monument "A," a point being 99.23 feet west of the southeast Corner of the westerly portion of the Vallenar Bay subdivision and the true point of beginning;

thence west along the quarter section line of Sections 11 and 10, T 75 S, R 89 E C.R.M., to the NW corner of the SW 1/4 of the SE 1/4 of said Section 10;

thence north along the quarter section line to the intersection with the meander line of Vallenar Bay;

thence in a generally easterly direction following the meander line of Vallenar Bay to the southeast corner;

thence west 99.23 feet to the point of beginning; also

Commencing at USLM #129, a GLO Brass Cap on the southwest side of Vallenar Bay as shown on the official plat of U.S.S. 1350;

thence N 28 degrees 07 minutes 52.5 seconds E, a distance of 3034.42 feet to a point on the meander line of Vallenar Bay, the same being the southerly corner of Lot 20, the most southerly lot of the easterly portion of the Vallenar Bay Subdivision and the true point of beginning;

thence northeasterly to the east corner of said lot 20;

thence in a northwesterly direction along the easterly lot lines of said subdivision to the north corner of Lot 1;

thence West to the meander line Vallenar Bay;

thence in a generally southeast direction along the meander line of said Bay to the point of beginning.

EXHIBIT E-2

**Maps Showing the Boundaries of the Service Areas Proposed for
Incorporation Through Consolidation**

EXHIBIT E-3

Powers, Services and Taxes for Each Proposed Service Area

SERVICE AREA POWERS AND SERVICES. Listed below are the services that are proposed to be provided and the powers proposed to be exercised by the borough on a service area basis within each proposed service area. These consist of powers and services that will not be exercised or provided on an areawide basis or those that will be provided or exercised on a higher, lower or otherwise different level than on an areawide basis.

To the extent that voter approval is required to grant the powers and authority for services listed below, as may be amended on a reasonable basis by the Local Boundary Commission following a public hearing on this petition, voter approval will be deemed to have been granted upon approval by those voters required for such measures during the consolidation election.

1. Gateway Service Area (former City, et. al.):
 - a) Police Protection
 - b) Fire Suppression & EMS Services
 - c) Construction, Maintenance and Operation of Roads, including Street Lighting
 - d) Solid Waste Collection
 - e) Sewer and Septic Service
 - f) Building Code Enforcement

2. Forest Park Service Area:
 - a) Construction, Maintenance and Operation of Roads, including Street Lighting

3. Gold Nugget Service Area:
 - a) Street Construction and Maintenance

4. Mud Bight Service Area:
 - a) Street Construction and Maintenance
 - b) Water Supply, Treatment and Distribution*

5. South Tongass Service Area:
 - a) Fire Suppression
 - b) EMS Services
 - c) Construction, maintenance, operation, and regulation of a water supply, treatment, and distribution system including hydrants.

6. Waterfall Creek Service Area:
 - a) Street Construction and Maintenance

7. Nichols View Service Area:
 - a) Street Construction and Maintenance*

8. Deep Bay Service Area:
 - a) Street Construction and Maintenance*
 - b) Harbor and Dock Construction, Maintenance and Operations*
9. Long Arm Service Area:
 - a) Street Construction and Maintenance*
 - b) Harbor and Dock Construction, Maintenance and Operations*
10. Vallenar Bay Service Area:
 - a) Street Construction and Maintenance*
11. North Tongass Fire and Emergency Medical Services Service Area
 - a) Fire Suppression and Emergency Medical Service

***Service currently not provided by the indicated Service Area.**

SERVICE AREA TAXES. The type and rate of each service area tax proposed to be initially levied by the borough is listed below. To the extent that voter approval is required to grant authority to levy proposed service area taxes listed in this petition, as may be amended on a reasonable basis by the Local Boundary Commission following a public hearing on this petition, such will be deemed to have been granted upon approval by those voters required for such measures during the consolidation election.

For informational purposes service area charges for wastewater treatment & collection and Utility charges for water treatment & distribution within the Gateway Service Area are also detailed.

1. Gateway Service Area (former City, et. al.):
 - a) Service Area Property Tax: 5.2 mills
 - b) Sales Tax: 2.25%

Services Paid for by User Fees:

- a) Solid Waste Collection (Residential): \$ 9.72/month
- b) Water Treatment and Distribution (Residential): \$23.60/month
- c) Sewer and Septic Services (Residential): \$34.00/month
- d) Solid Waste Disposal Fee: \$15.00/month

2. Forest Park Service Area:
 - a) Service Area Property Tax: 2.2 mills
 - b) South Tongass Service Area Tax: 2.3 mills
3. Gold Nugget Service Area:
 - a) Service Area Property Tax: 0.00 mills
 - b) South Tongass Service Area Tax: 2.3 mills

Services Paid for by User Fees:

- i) Street Construction and Maintenance: \$66.00/quarter

4. Mud Bight Service Area:

- a) Service Area Property Tax: 0.00 mills
- b) North Tongass Fire & EMS Service Area Tax: 1.4 mills + \$100.00/year

Services Paid for by User Fees:

- i) Street Construction and Maintenance: \$120.00/year

5. South Tongass Service Area *:

- a) Service Area Property Tax: 2.3 mills
- * Includes Forest Park and Gold Nugget areas

6. Waterfall Creek Service Area:

- a) Service Area Property Tax: 0.00 mills
- b) North Tongass Fire & EMS Service Area Tax: 1.4 mills + \$100.00/year

Services Paid for by User Fees:

- i) Street Construction and Maintenance: \$60.00/year

7. Nichols View Service Area:

- a) Service District Property Tax: 0.00 mills

8. Deep Bay Service Area:

- a) Service Area Property Tax: 0.00 mills

9. Long Arm Service Area:

- a) Service Area Property Tax: 0.00 mills

10. Vallenar Bay Service Area:

- a) Service Area Property Tax: 0.00 mills

11. North Tongass Fire and Emergency Medical Services Service Area *:

- a) Service Area Property Tax: 1.4 mills + \$100.00/year
- * Includes Mud Bight & Waterfall Creek Service Areas

EXHIBIT F

THREE YEAR ANNUAL BUDGET AND FINANCIAL PLAN

In accordance with the requirements for a petition by a political subdivision of the State of Alaska for consolidation of a home rule city and a general law borough as a home rule borough, a three-year operating and capital budget has been prepared for the proposed consolidation of the City of Ketchikan and the Ketchikan Gateway Borough into a new entity, the Municipality of Ketchikan, Alaska. The three-year operating and capital budget is attached as Exhibits F-1, F-2, F-3 and F-4. The City of Saxman, which is located within the boundaries of the Ketchikan Gateway Borough, will be excluded from the consolidation.

The three-year budget projects sources of revenues, items of expenditures, and surpluses and deficits through the first three full fiscal years of operations, starting with the anticipated fiscal year that begins on July 1, 2006. Expenditures include operating expenses, minor capital outlay, and planned major capital outlay. The three-year budget was developed in a manner that is consistent with the proposed charter for the Municipality of Ketchikan.

Assumptions

The development of the three-year budget required that certain assumptions be made about future events. These assumptions have a direct impact on the revenue and expenditure projections used to compile the three-year budget. These assumptions were developed using historical financial data about the separate operations of the City of Ketchikan and the Ketchikan Gateway Borough, as well as using economic and financial data about the community served by both governments. Recent events and changes have taken place in the economy of Ketchikan, which reduced the reliability and usefulness of the economic and financial data used to develop certain assumptions and compile the three-year budget. As a result, professional judgment became more crucial in deciding which data was still relevant and how other data could be modified to fit the circumstances that currently exist in Ketchikan. While every effort was made to develop reasonable assumptions, a certain amount of risk remains that the assumptions used to compile the three-year budget may prove to be partially or totally incorrect. In situations where assumptions deviate significantly from actual events that might take place during the period covered by the three-year budget, the actual outcome may be materially different than the projections included in this petition. The key assumptions used in the development of the three-year budget are as follows:

- ✓ The City of Ketchikan's 2004 General Government Annual Budget, the 2004 Ketchikan Public Utilities Annual Budget and the Ketchikan Gateway Borough's Fiscal Year 2005 Budget were used to develop base year revenues and expenditures. For the purposes of the three-year budget, 2004 was selected as the base year. Since the Municipality of Ketchikan's first full year of operation is expected to begin on July 1, 2006, revenues and expenditures were restated in 2006 dollars.

- ✓ Personnel costs were based on the staffing plan included in the petition for consolidation. The staffing plan projects that 414.28 full-time equivalent employees will be required to staff the Municipality of Ketchikan. Staffing levels were projected not to increase or decrease during the period covered by the three-year budget. Duplicate positions that were adjusted as a result of consolidation were valued at the higher of the Borough or City salary for the duplicated position. For example, the Clerk position for the Municipality of Ketchikan was valued at the Borough's level of compensation because it was higher than the City's level of compensation for that position.
- ✓ Since the Consumer Price Index (Anchorage) from 1999 to 2003 averaged 2%, a general inflation factor of two percent (2%) was used to adjust the cost of commodities and services, and minor and major capital outlay. The cost of personnel services, which includes salaries, wages and employee benefit costs, was adjusted by an annual rate of two percent (2.0%). This adjustment is expected to cover the cost of step increases and increases in employee benefit costs such as an annual increase in health insurance costs. Salaries paid to assembly members were excluded from this adjustment because the Assembly is not expected to increase its salaries during the period covered by the three-year budget. Cost of living adjustments have not been specifically programmed for two reasons. As noted above, duplicate City and Borough positions have been programmed for the higher of the City or Borough salary and the three-year budget assumes full staffing for all positions. Since the probability of all positions actually being paid at the higher salary and/or no staffing vacancies is remote, it was determined that no additional adjustments were required to provide for a cost of living adjustment.
- ✓ The Municipality of Ketchikan will enter into a new Public Employees Retirement System participation agreement with the State of Alaska. The new agreement will retain the existing terms and conditions of the agreements the State has with the City and the Borough. The Municipality of Ketchikan will also enter into a new 218 agreement with Federal Social Security Administration. This agreement will permit the Municipality of Ketchikan to participate in the Social Security system.
- ✓ Operating transfers were modified to reflect the organizational structure of the Municipality of Ketchikan. No increases were programmed for operating transfers required to subsidize funds or programs unless an increase was required in order to maintain the solvency of the fund or program. Operating transfers required for debt service were based on existing and estimated debt service schedules. Operating transfers required in order to comply with policies of the former City and Borough were programmed to continue until the earlier of the expiration of the legal mandate or the end of the period covered by the three-year budget.

Debt service expenditures were based on existing and new debt of the City and the Borough that will be assumed by the Municipality of Ketchikan.

- ✓ As part of their annual budgeting process, the City develops a comprehensive five-year capital improvement program and the Borough compiles a three-year capital improvement program. Since both programs are heavily dependent on bond financing, which require voter approval, and state funding, which has yet to be appropriated by the State Legislature, the usefulness of the capital improvements programs was limited.

As an alternative, the projections for major capital outlay were determined by reviewing historical capital expenditures, the above-referenced capital improvement programs, and the local funding sources projected to be available during the period covered by the three-year budget. Capital projects involving public safety or public health were given the highest priorities in situations where there were competing projects for limited funds.

- ✓ The base year (Fiscal Year 2004) amount was used to determine funding for all community agency programs that are presently funded by the City and the Borough. Certain community agency programs were eliminated if it was clear from the review of the 2004/2005 budget documents that the funding was intended to be limited to one year or would expire prior to the date of consolidation. Community agency programs consist of local grants awarded to not-for-profit organizations for education, health, economic development, social and visitor promotion services.
- ✓ All state revenues were projected to remain at the base year amount with one exception. State grants used to finance mental health and substance abuse programs were projected to grow at an annual rate of one percent (1%).
- ✓ Although property values have increased at an average annual rate of 3.6% over the past ten years, property values for the purpose of the three-year budget were projected to increase at an average annual rate of one percent (1%). The closure of the Ketchikan Pulp Company and the continuing uncertainty in the local economy are expected to continue to cause property values to increase at a much slower pace.
- ✓ Sales tax revenues were projected to grow at an annual rate of three percent (3%). Continued growth in the tourism industry, increases in the general price index, and the Mile 4 North Development are expected to sustain this level of growth.
- ✓ Charges for services provided by the Municipality of Ketchikan such as utility services were projected to grow at an annual rate of two percent (2%). Charges for the use of port and transit facilities were projected to increase at an annual rate of three percent (3%). All other revenues such as permits, fines and miscellaneous income were projected to increase at an annual rate of either one or two percent.

- ✓ The financial plan identifies the disposition of the assets of the City and the Borough. The consolidation, if approved by the Local Boundary Commission and the voters, is not expected to take place until 2006. It was impractical to project the value of the total assets of the City and Borough that will be transferred to the Municipality of Ketchikan because the projection would span a two to three-year period. To provide some indication of the value of the assets, the financial plan discloses the most recent projections of the unreserved fund balances of the funds that will become part of the Municipality of Ketchikan. The unreserved fund balances represent total assets less total liabilities. The unreserved fund balances approximate the net assets that will be transferred upon consolidation. For the general fixed asset and general long-term debt account groups, total assets or total liabilities were disclosed.

- ✓ Several one-time expenses were eliminated from the base year budget in projecting the consolidated three-year budget. Predominantly these were capital expenditures that will not re-occur or did not materialize, for example the \$58 million port expansion and associated bond debt.

Discussion of the Three-Year Budget and Financial Plan

As of December 31, 2003, the City had 21 funds (including KPU) totaling \$29,632,000; two account groups and approximately 315 employees (210 City and 115 KPU). As of June 30, 2004, the Borough had 18 funds totaling \$31,106,000; two account groups and approximately 112 employees. The Ketchikan Gateway Borough School District was not included in the 2004 Borough totals and has not been included in the three-year budget or addressed in the financial plan. The School District is, however, part of the consolidation and its relationship to the Municipality of Ketchikan is discussed in the petition. State mandated local contributions required by the Municipality of Ketchikan to the School District have been programmed in the three-year budget. The new government, the Municipality of Ketchikan, will have 35 funds and approximately 414 employees. The consolidation will result in the elimination of approximately 13 paid positions. Included in this total are eight elected positions. The rest of the reduction comes from the reorganization of duplicated positions within the offices of the Manager, Clerk, Attorney, Human Resources, Finance, Public Works, and Data Processing. Total first year savings, including personnel costs and fringe benefits, were estimated to be \$518,000. Since the restructuring of the Municipality of Ketchikan will continue long after the consolidation takes place, additional savings and economies of scale should be achieved. Some functions of the proposed new government that might warrant additional review are Public Works, the utilities and Community Development.

The foundation of the financial plan for the Municipality of Ketchikan is the three-year budget. Budgeting for a government typically begins with the development of a spending plan for the various funds of the government. Funds are, by definition, a separate fiscal and accounting entity in which financial resources are recorded and segregated for the

purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. In order to fully understand the proposed financial plan for the Municipality of Ketchikan, the three-year budget needs to be reviewed in the context of the funds that will be established for the new government.

For clarity, this financial plan deals primarily with the fund balances of the operating entities of the former Borough and City of Ketchikan. The associated fixed assets and liabilities associated with each fund will be allocated to each fund based upon the fund's purpose. For example, the City of Ketchikan's fire and police stations and associated equipment and associated debt will be transferred to the Gateway Service Area.

General Fund

The general fund is used to account for all financial resources of a municipal government except those required to be accounted for in another fund. The general fund is typically the operating fund of the municipal government and its services are generally provided on an areawide basis. Consequently, it is supported primarily through areawide taxes and other revenues derived on an areawide basis. The City and the Borough currently maintain separate general funds. Upon consolidation, the general fund of both governments will cease to function and their respective assets and liabilities will be consolidated or redistributed. The assets and liabilities of the Borough General Fund will be remitted to the Municipality of Ketchikan and placed in the general fund of the new Municipality. Since a large portion of the revenue and expenses from the former City of Ketchikan are being transferred to the new Gateway Service Area, 80% of the City of Ketchikan's General Fund balance will be transferred to a special revenue fund established to account for the financial resources of the Gateway Service Area which will be created at the time consolidation occurs. It is anticipated that the new Assembly may increase or decrease this allocation based on actual assets transferred and/or deferred maintenance or liabilities.

The intent of this allocation is to allocate most of the reserves in the City's general fund to the new Gateway Service Area while retaining within the consolidated general fund sufficient reserves related to the assets transferred from the City's general fund that will be an areawide responsibility in the future. The Gateway Service Area is discussed in detail following the discussion of the general fund.

The Municipality of Ketchikan will have one general fund. Revenues earned by the general fund will come primarily from property taxes (36% of total revenues), sales taxes (25%), interdepartmental charges (16%), charges for services (10%) and intergovernmental revenues (4%). The Municipality of Ketchikan will assess a payment in lieu of taxes against the Ketchikan Public Utilities and Port Enterprise Funds. The assessment will amount to approximately seven percent (7%) of total revenues. By the third year of the three-year budget, general fund revenues are projected to total \$22.2 million.

Expenditures will include Mayor and Municipal Assembly, Attorney, Clerk, Manager, Community Development, Finance, Assessment, Animal Protection, Library, Museum, Parks

& Recreation, Public Health, Public Works, Cemetery Maintenance and Operations, Education, and Non-Departmental functions. Under consolidation, Library, Museum, Public Health, and Cemetery functions will be funded on an areawide basis. Prior to consolidation, these functions were funded either on a nonareawide basis or solely by the City. By the third year of the three-year budget, general fund expenditures are projected to total \$24.5 million.

As was noted earlier, the three-year budget was compiled using the adopted budgets of the City and the Borough as a starting point. The City's 2004 spending plan for its general fund will require a draw-down of general fund reserves in the amount of \$877,000. The Borough's 2005 spending plan required a draw-down of general fund reserves in the amount of \$54,000. The combined deficits total \$931,000. In practice, the actual draw-down of reserves will most likely be less than programmed because, historically, appropriations have not always been spent as planned.

Modifications to the original spending plan are inevitable due to program delays and staff vacancies. Even though the actual draw-down of reserves will not be as significant as projected in the City and Borough budgets, a deficit is still expected to occur. As the three-year budget for the Municipality of Ketchikan was compiled, it became evident that the deficit would continue to be an issue and would need to be addressed to ensure that the financial plan for the proposed consolidated Municipality was fiscally responsible.

The restructuring of the personnel costs and elimination of one-time expenses served to eliminate most of the projected operating deficit. This is predicated on maintaining the "status quo" on interdepartmental charges and Payments in Lieu of Taxes. Under this methodology, no change in the property and minimal changes in sales taxes were required. It is noted, however, that the Gateway Service Area will accumulate approximately \$130,000 per year in surplus that could lead to property tax relief in that service area in the future.

As previously noted, the assets and the liabilities of the Borough General Fund will be remitted to the Municipality of Ketchikan upon consolidation. At June 30, 2004, the Borough General Fund is projected to have an unreserved fund balance of \$1,346,000. The City of Ketchikan General Fund is projected to have an unrestricted balance of \$4,042,000 as of 12/31/05 and 20% of this fund, or \$808,400, will be remitted to the Municipality of Ketchikan upon consolidation. Additionally, the Borough's Nonareawide Library Fund will be remitted to the Municipality of Ketchikan's General Fund upon consolidation, closing out that fund since operation of the Library will become an areawide function. The Municipality of Ketchikan's General Fund will thus have a starting balance of approximately \$2,149,405. The disposition of the assets and liabilities of the City General Fund is outlined under the discussion of the Gateway Service Area.

Special Revenue Funds

Special revenue funds are funds used to account for the proceeds of specific revenue sources that are legally restricted for specified purposes. The City and the Borough presently have 20 and 17 special revenue funds respectively (excluding Ketchikan Public Utilities and the School District). Upon consolidation, the Municipality of Ketchikan will have 33 special revenue funds. The special revenue funds of the Municipality of Ketchikan will include former City and Borough special revenue funds. Some of these funds will be transferred directly to the Municipality of Ketchikan in their present form and others will be combined to form a single fund. For example, funds that serve the same purpose for both the City and the Borough will be combined. The proposed charter for the Municipality of Ketchikan will require the creation of one new special revenue fund to account for the Gateway Service Area. The special revenue funds of the Municipality of Ketchikan will be as follows:

Gateway Service Area: This is a new fund that will be established to account for the financial resources of a newly created service area within the current boundaries of the former City of Ketchikan. This service area will provide building inspection services, fire and police protection services, and certain public works services such as engineering, streets and roads, garbage collection and vehicle & building maintenance. (The commission noted that vehicle and building maintenance are also performed by the Municipality through its General Fund and a future consolidation of this function may lead to cost savings).

Revenues earned by the Gateway Service Area will come primarily from property taxes (31% of total revenues), sales taxes (52%) and charges for services (17%). The sales tax will consist of a one percent (1%) tax for public safety and a one and one and one-quarter percent tax (1.25%) for public works. The remaining one-quarter percent (.25%) of the City's current 1.5% Public Works sales tax will be changed to an areawide sales tax.

Upon consolidation, 80% of the fund balance of the former City General Fund and the entire balance of the City's Public Works Sales Tax Fund will be remitted to the Gateway Service Area. The City is projecting that at December 31, 2004, its General Fund and Public Works Sales Tax Funds will have unreserved fund balances of \$4,042,000 and \$5,090,000, respectively. Assets of the former City General Fund required to satisfy the accrued leave liabilities of the former City General Fund will not be remitted to the Gateway Service Area, but instead will be transferred to the Municipality of Ketchikan's General Fund along with the related liabilities. The transfer of these liabilities will be done in order to accommodate the City's financial accounting system.

Hospital Sales Tax Fund: This is an existing fund that was established to provide a source of funding for community health care facilities and services. Revenues earned by this fund come from a one percent (1%) sales tax. Upon consolidation, the one percent (1%) sales tax will be changed from a City sales tax to an areawide sales tax. This fund

provides the debt service for the former City's 1997 Hospital General Obligation Bond. It also provides operating subsidies for the General Fund, the Mental Health Fund, and the Substance Abuse Fund, and finances the Ketchikan General Hospital Substance Abuse Recovery Program. The assets and liabilities of this fund will be remitted to the Municipality of Ketchikan and used to provide areawide health facilities, health care services and operating subsidies for the General Fund.

At December 31, 2004, this fund is projected to have an unreserved fund balance of \$1,032,000.

Transient Occupancy Tax Fund: This is an existing fund that was established to provide a source of funding to promote the visitor industry. Revenues earned by this fund come from a transient occupancy tax. The City currently assesses a six percent (7%) tax and the Borough assesses a four percent (4%) tax. Upon consolidation, this tax will be assessed at six percent (7%) areawide. Currently all of its earnings go toward funding the Ketchikan Visitors Bureau. The assets and liabilities of this fund will be remitted to the Municipality of Ketchikan and used to provide areawide visitor and community promotion services.

At December 31, 2004, this fund is projected to have an unreserved fund balance of \$5,000.

Recreation Sales Tax Fund: This is an existing fund that was established to provide a source of funding for recreational facilities and equipment. Revenues earned by this fund come from a one-half of one percent (.5%) areawide sales tax. In addition to providing funding for recreational facilities and equipment, this fund also provides the debt service for the former Borough's 1996 Indoor Recreation Center General Obligation Bonds. The assets and liabilities of this fund will be remitted to the Municipality of Ketchikan and used to provide areawide recreation services.

At June 30, 2004, this fund was projected to have an unreserved fund balance of \$53,000.

Solid Waste Services Fund: This is an existing fund that was established to account for all of the financial resources used by the City to operate its municipal landfill and collection services. Revenues earned by this fund come from charges for services paid by the users of the facilities and subscribers to collection services. Upon consolidation, the operations of the municipal landfill will become an areawide function. The collection operations assets and liabilities will be transferred to the Gateway Service Area to provide residential and commercial collection services to subscribers located within the Gateway Service Area. The fund balance of this fund will be remitted to the Municipality of Ketchikan for the benefit of users of solid waste disposal services and to pay for landfill closure and related future liabilities that are being assumed by the Municipality at large.

At December 31, 2004, this fund is projected to have an unreserved fund balance of

Wastewater Services Fund: This is an existing fund that was established to account for all of the financial resources used by the City to operate its wastewater treatment plant and collection system. Revenues earned by this fund come from charges for services paid by the users of the facilities and services. Upon consolidation, the operations of the wastewater systems operated by the Borough will be incorporated into this fund. The assets and liabilities of this fund will be remitted to the Municipality of Ketchikan for the benefit of users of wastewater services, however the funds from the former City of Ketchikan will be reserved for the Gateway Service Area.

At December 31, 2004, this fund is projected to have an unreserved fund balance of \$844,000.

Economic and Parking Development Fund: This is an existing fund that was established to account for all of the financial resources generated from the sale of the former Spruce Mill property. The resources of this fund are designated for economic development, and the improvement and development of parking facilities located primarily in the Central Business District. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan and combined with the Borough's existing Economic Development fund but reserved for the Gateway Service Area.

At December 31, 2004, this fund is projected to have an unreserved fund balance of \$80,000.

Ketchikan Boat Harbor Fund: This is an existing fund that was established to account for all of the financial resources used by the City to operate the five small boat harbors under its management. Revenues earned by this fund come from charges for services paid by the users of the harbor facilities and services. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan for the benefit of the users of harbor moorage services.

At December 31, 2004, this fund is projected to have an unreserved fund balance of \$128,000.

Mental Health Fund: This is an existing fund that was established by the City to account for all of the financial resources used to operate the Gateway Center for Human Services Mental Health Clinic. Revenues earned by this fund come from charges for patient fees, state grants, Medicare reimbursements, and private party insurance payments. Over the three-year budget period, annual operating subsidies ranging between \$335,000 to \$350,000 from the Hospital Sales Tax Fund will be required to keep this fund financially solvent. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan for the purpose of providing areawide mental health services.

At December 31, 2004, this fund is projected to have an unreserved fund balance of \$59,000.

Substance Abuse Fund: This is an existing fund that was established by the City to account for all of the financial resources used to operate the Gateway Center for Human Services Substance Abuse Treatment Clinic. Revenues earned by this fund come from charges for patient fees, state grants, Medicare reimbursements, and private party insurance payments. Over the three-year budget period, annual operating subsidies ranging between \$515,000 and \$535,000 from the Hospital Sales Tax Fund will be required to keep this fund financially solvent. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan for the purpose of providing areawide substance abuse treatment services.

At December 31, 2004, this fund is projected to have an unreserved fund balance of \$205,000.

Special Assessment Guarantee Fund: This is an existing fund that was established by the City to account for all of the financial resources designated by the City Council to guarantee repayment of local improvement district improvements financed with local revenues. Repayment would be required in the event of a default by a property owner. Interest earnings on investments are the sole source of revenues for this fund. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan but reserved for the benefit of the Gateway Service Area because the original source of funding came from the former City General Fund.

At December 31, 2004, this fund is projected to have an unreserved fund balance of \$90,000.

US Marshall Property Seizure Fund: This is an existing fund that was established by the City to account for all of the financial resources derived from the sale of assets that were used in criminal activities and seized by federal law enforcement officers. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan.

At December 31, 2004, this fund is projected to have an unreserved fund balance of \$9,000.

State and Federal Grant Fund: This is an existing fund that was established by both the Borough and the City to account for all of the financial resources derived from federal and state financial assistance programs not accounted for in other funds. Most of the financial assistance programs are of short-term duration and are not continuing. As a result, only residual assets are expected to be on hand at the time of consolidation. Upon consolidation, any remaining assets will be remitted to the Municipality of Ketchikan and

will be used for the intended purpose of on-going financial assistance programs. All activity will be accounted for in a single fund. This fund is also used to pass-through state revenue sharing to agencies providing community health care services.

At December 31, 2004, this fund is projected to have a zero unreserved fund balance.

Cemetery O & M Fund: This is an existing fund that was established by the City to account for a portion of the financial resources derived from the sale of cemetery plots and other cemetery services. Expenditures from this fund are restricted to subsidizing the annual cemetery maintenance contract as it pertains to normal and routine operations and maintenance. The subsidy takes the form of an annual operating transfer to the General Fund. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan for the purpose of providing areawide cemetery services.

At December 31, 2004, this fund is projected to have an unreserved fund balance of \$52,000.

Cemetery Development Fund: This is an existing fund that was established by the City to account for a portion of the financial resources derived from the sale of cemetery plots and other cemetery services. Expenditures from this fund are restricted to the future development and expansion of the Bayview Cemetery. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan for the purpose of providing areawide cemetery services.

At December 31, 2004, this fund is projected to have an unreserved fund balance of \$68,000.

Cemetery Endowment Fund: This is an existing fund that was established by the City to account for a portion of the financial resources derived from the sale of cemetery plots and other cemetery services. Expenditures from this fund are restricted to subsidizing the annual cemetery maintenance contract as it pertains to perpetual care. The subsidy takes the form of an annual operating transfer to the General Fund. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan for the purpose of providing areawide cemetery services.

At December 31, 2004, this fund is projected to have an unreserved fund balance of \$15,000.

Economic Development Assistance Fund: This is an existing fund that was established by the Borough to account for the financial resources derived from the receipt of \$25 million in economic disaster funds from the federal government. Expenditures from this fund are restricted to mitigating the economic impact of the loss of the timber industry and promoting economic development in the community. Revenues earned by this fund come primarily from interest earnings from investments of the economic disaster fund. No

expenditures have been programmed for the three-year budget period since the fund is currently over committed. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan for the purpose of providing areawide economic development and continuing the efforts to mitigate the negative economic impacts caused by the loss of the community's timber industry. At June 30, 2004, this fund was projected to have an unreserved fund balance of (\$745,000), a deficit.

Land Trust Repair and Maintenance Fund: This is an existing fund that was established by the Borough to account for areawide general-purpose land trust financial resources. Revenues earned by this fund come primarily from earnings from its investments. Expenditures are currently limited to the repair, maintenance and replacement of buildings and other facilities owned and operated by the Borough. Operating transfers have been programmed to provide the General Fund with an operating subsidy. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan to be used for areawide purposes.

At June 30, 2004, this fund was projected to have an unreserved fund balance of \$6,300,000.

North Tongass Fire and EMS Service Area: This is an existing service area fund that was established by the Borough to account for financial resources restricted for the benefit of the residents of the service area. This service area currently provides fire protection and EMS services. Revenues earned by this fund come primarily from property taxes. Expenditures are currently limited to those required for providing adequate fire protection and EMS services. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan but reserved for the benefit of the North Tongass Service Area.

At June 30, 2004, this fund was projected to have an unreserved fund balance of \$77,000.

South Tongass Service Area: This is an existing service area fund that was established by the Borough to account for financial resources restricted for the benefit of the residents of the service area. This service area currently provides fire protection and EMS services. Revenues earned by this fund come primarily from property taxes. Expenditures are currently limited to those required for providing adequate fire protection and EMS services. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan but reserved for the benefit of the South Tongass Service Area.

At June 30, 2004, this fund was projected to have an unreserved fund balance of \$59,000.

Nichols View Service Area: This is an existing service area fund that was established by the Borough to account for financial resources restricted for the benefit of the residents of the service area. This service area is currently authorized to provide road construction and maintenance services. Revenues earned by this fund come primarily from other

revenues. Minimal expenditures have been programmed for water and maintenance. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan but reserved for the benefit of the Nichols View Service Area.

At June 30, 2004, this fund was projected to have an unreserved fund balance of \$9,700.

Waterfall Service Area: This is an existing service area fund that was established by the Borough to account for financial resources restricted for the benefit of the residents of the service area. This service area currently provides sewer and road construction & maintenance services. Revenues earned by this fund come primarily from charges for services. Expenditures are currently limited to those required for providing adequate sewer and road construction & maintenance services. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan but reserved for the benefit of the Waterfall Service Area.

At June 30, 2004, this fund was projected to have an unreserved fund balance of \$23,600.

Mud Bight Service Area: This is an existing service area fund that was established by the Borough to account for financial resources restricted for the benefit of the residents of the service area. This service area currently provides road construction and maintenance services. The service area is also authorized to provide water supply, treatment and distribution services, but is currently not exercising these powers. Some residents of the service area have expressed an interest in terminating this service area.

Revenues earned by this fund come primarily from charges for services. Expenditures are currently limited to those required for providing adequate road construction and maintenance services. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan but reserved for the benefit of the Mud Bight Service Area.

At June 30, 2004, this fund was projected to have an unreserved fund balance of \$17,000.

Forest Park Service Area: This is an existing service area fund that was established by the Borough to account for financial resources restricted for the benefit of the residents of the service area. This service area currently provides sewer and road construction & maintenance services. Revenues earned by this fund come primarily from property taxes. Expenditures are currently limited to those required for providing adequate sewer and road construction & maintenance services. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan but reserved for the benefit of the Forest Park Service Area.

At June 30, 2004, this fund was projected to have an unreserved fund balance of \$79,000.

Gold Nugget Service Area: This is an existing service area fund that was established by

the Borough to account for financial resources restricted for the benefit of the residents of the service area. This service area currently provides sewer and road construction & maintenance services. Revenues earned by this fund come primarily from charges for services. Expenditures are currently limited to those required for providing adequate sewer and road construction & maintenance services. The three-year budget compiled for the Gold Nugget Service Area Fund shows that the fund will operate with a deficit over the three-year period covered by the budget. The deficit will range between \$3,500 and \$4,000. The three-year budget includes a modest increase in charges for services to keep the fund solvent. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan but reserved for the benefit of the Gold Nugget Service Area.

At June 30, 2004, this fund was projected to have an unreserved fund balance of \$8,570.

Debt Service Funds

Debt service funds are established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Debt issued for an enterprise activity is normally accounted for in an enterprise fund. The City and the Borough presently each have a debt service fund. Upon consolidation, the Municipality of Ketchikan will have one debt service fund. All the resources accumulated in the Borough's debt service funds and the City's General Obligation Bond Debt Service Fund will be transferred to the Municipality of Ketchikan's General Obligation Bond Debt Service Fund.

The debt service funds of the Municipality of Ketchikan are as follows:

General Obligation Bond Debt Service Fund: This is an existing fund that was established by both the Borough and the City to account for all the financial resources used to provide debt service for issued and outstanding general obligation bonds. Upon consolidation, the Borough and the City General Obligation Bond Debt Service Funds will be combined into a single General Obligation Bond Debt Service Fund and the Municipality of Ketchikan will assume the responsibility for servicing all outstanding general obligation debt. The general obligation debt that will be assumed by the Municipality of Ketchikan and serviced through the General Obligation Bond Debt Service Fund is listed below:

- Hospital Construction, Series 1997
- Indoor Recreation Center, Series 1996
- School Improvements, Series 1999 (Valley Park/Houghtaling)
- School Replacement, Series 2000 (Fawn Mountain)
- School Improvements, Series 2003 (Schoenbar)

Operating transfers from other funds will provide the resources needed to service the above referenced debt. The three-year budget has been programmed for operating transfers from the following funds:

Hospital Sales Tax Fund: to provide for the debt service of 100% of Hospital Construction, Series 1997.

Recreation Sales Tax Fund: to provide for the debt service of 100% of Indoor Recreation Center, Series 1996.

Additionally there is a .5% sales tax passed by the voters effective July 1, 2004 to fund school bonds and insurance that is accounted for in this fund. There are two school bond issues to be voted on in October 2004 for increased costs of remodeling Schoenbar Middle School and construction of a new elementary school, \$4.0 million and \$3.9 million respectively. Since the voters passed the sales tax to pay for these bonds, the three-year budget plan anticipates passage of these two bonds and provides for their debt service expenditures.

The City of Ketchikan has two bond propositions on the ballot in October 2004. One is a \$5.5 million general obligation bond to pay for sewer repair and replacement. This bond would be paid from property tax levies. The other is a \$15 million KPU revenue bond to acquire telecommunication, electric and water facilities to be repaid from user fees. The outcome of these two bond elections could not be predicted so they have not been included in the three-year budget.

The Municipality of Ketchikan will also assume the responsibility for servicing other general obligation debt and municipal revenue bonds. The debt service for these bond issues will be accounted for in other funds, for instance there is an approximate \$1.2 million fire equipment bond in the North Tongass Fire and EMS fund that is paid from that fund's revenues. Upon consolidation, any assets held by the General Obligations Debt Service Funds of the City and Borough will be remitted to the Municipality of Ketchikan.

At December 31, 2004, the City's fund is projected to have a zero unreserved fund balance and the Borough's fund is projected to have an unreserved balance of \$283,000.

Capital Projects Funds

Capital projects funds are created to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by enterprise funds. The City has two capital projects funds. Upon consolidation, the Municipality of Ketchikan will have two capital projects funds.

The capital projects funds of the Municipality of Ketchikan are as follows:

Major Capital Improvements Fund: This is an existing fund that was established by the City to account for financial resources designated for the development and construction of major infrastructure. Revenues earned by this fund come primarily from interest earned on investments, bond proceeds, state and federal grants, and transfers from other funds.

No expenditures have been programmed for the three-year budget period because the City's plans for capital spending from this fund were inconclusive at the time that the three-year budget was compiled. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan but reserved for the benefit of the Gateway Service Area.

At December 31, 2004, this fund is projected to have an unreserved fund balance of \$1,306,500.

Community Facilities Development Fund: This is an existing fund that was established by the City to account for financial resources designated for the development and construction of future facilities such as a new library. Revenues earned by this fund come primarily from interest earned on investments and transfers from other funds. No expenditures have been programmed for the three-year budget period because the City's plans for capital spending from this fund were inconclusive at the time that the three-year budget was compiled. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan but reserved for the benefit of the Gateway Service Area.

At December 31, 2004, this fund is projected to have an unreserved fund balance of \$267,000.

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis. The City and the Borough presently have one and two internal service funds, respectively. Upon consolidation, the Municipality of Ketchikan will have one internal service fund to account for its risk management efforts. The present City and Borough internal service funds will be combined to form a single fund.

The internal service fund of the Municipality of Ketchikan is as follows:

Self-Insurance Fund: This is an existing fund that was established by both the Borough and the City to account for certain resources used to finance various risk management and health insurance programs. Upon consolidation, the two Borough and the City Self-Insurance Funds will be combined into a single Self-Insurance Fund. Revenue earned by this fund will come primarily from premiums for health insurance paid by other funds and employees of the Municipality of Ketchikan and Interdepartmental charges for liability claims.

Expenditures of the fund include costs incurred for third-party administrators, insurance premiums and claims. Expenditures of this fund have been programmed to increase at an annual rate of five percent (5%), primarily due to the increasing cost of health care. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of

At December 31, 2004, the City's Self-Insurance Fund is projected to have an unreserved fund balance of \$1,597,000. At June 30, 2004, the Borough was projecting an unreserved fund deficit balance of (\$342,000) for its Self-Insurance Funds. The combined unreserved fund balance will total approximately \$1,254,000.

The City of Ketchikan's staff reviewed a rough draft of the commission's three-year budget plan and expressed concern that the 2% increase in insurance costs was insufficient. The commission discussed these concerns at a meeting on August 27, 2004.

The City's memorandum identified a predicted 10% increase in health and liability insurance and a 26% increase in PERS costs. The commission found the following:

- These insurance and PERS costs will create a problem regardless of whether the community consolidates: revenues will have to increase OR costs will have to decrease OR services will have to be adjusted.
- It is likely that the two governments will have to address this problem prior to a vote on consolidation.
- There is a 20% increase built into the City's base year budget that is escalated by 2% each year. There is no way to measure or accurately predict what these costs will be. Considering that the cost of insurance has gone up over 125% in the past four years, it is likely that it will plateau soon since the costs cannot continue to escalate at these levels ad infinitum.
- No efficiencies have been built into the three-year budget for years two and three. After the initial year of consolidation, the workload should diminish significantly and some reduction in labor costs should be achieved whether through attrition or otherwise. This would likely be enough to mitigate this issue.
- The Charter Commission's budget proposes to the LBC shows that the consolidated government would have the human and financial resources to provide municipal services but there is no way to accurately predict changes of this type over so many years.
- Some officials have questioned the 26% increase in PERS in that this number has been discussed as a five-year increase, not an annual one.
- Consolidation is not going to, by itself, stop these sorts of costs however a slightly larger entity might be more likely to bargain for lower rates.

In conclusion, should the City's figures prove to be correct, either the revenues will have to be increased or the costs will have to be reduced to cover them whether the two governments consolidate or not. Consolidation might provide an avenue to mitigate the effects of these cost increases.

The costs predicted by the City using 20% increase per year are summarized below:

	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Insurance	195,000	307,500	430,000
Health Insurance	181,000	279,000	367,000
TOTAL	376,000	586,500	797,000

Ketchikan Public Utilities

General Insurance	195,000	307,500	430,000
Health Insurance	163,000	258,000	349,000
TOTAL	358,000	565,500	779,000

Generally speaking, 1/2% of areawide sales tax generates \$1 million in revenue and 1/2 mil of property tax generates \$500,000.

Enterprise Funds

Enterprise funds are established to account for operations financed and operated in a manner similar to private business enterprises. In this case the governing body intends for the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City and the Borough presently have two enterprise funds each. Upon consolidation, the Municipality of Ketchikan will continue to operate the existing four enterprise funds.

The enterprise funds of the Municipality of Ketchikan are as follows:

Port Fund: This is an existing fund that was established by the City to account for financial resources designated for the operations of the Port of Ketchikan. Revenues earned by this fund come primarily from charges for services collected from the users of port facilities. Revenues were programmed to grow at an annual rate of three percent (3%) during the three-year budget period because growth in the cruise ship industry is expected to continue. This fund also provides the debt service for the Port Improvements, Series 1994 General Obligation Bond. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan.

At December 31, 2004, this fund is projected to have an equity of \$5,883,000.

Ketchikan Public Utilities Fund: This is an existing fund that was established by the City to account for the financial resources designated for the operations of Ketchikan Public Utilities. Revenues earned by this fund come primarily from charges for electric, telephone and water utility services. This fund also provides the debt service for the Municipal Utility Revenue Bonds, Series T, U and V. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan. Electric and telephone services will continue to be offered on a community-wide basis. Water services will initially only be

offered within the Ketchikan Service Area by KPU.

At December 31, 2004, this fund is projected to have an equity of \$7,810,000.

Airport Fund: This is an existing fund that was established by the Borough to account for the financial resources designated for the operations of Ketchikan International Airport and its ferry system. Revenues earned by this fund come primarily from charges for landing fees, airport terminal building leases, and ferry fares. The three-year budget compiled for the Airport Fund shows that the fund will operate with a deficit over the three-year period covered by the budget. The deficit will range between \$92,000 and \$96,000. While a long-term solution is needed to address this deficit, the fund has adequate reserves to finance such deficits over the short-term.

The Passenger Facility Charges Fund was incorporated into the Airport Fund for the purposes of the three-year budget. Revenues earned by this fund come from the federal government and are dedicated to provide the debt service for the Municipal Revenue Bonds, Airport and Ferry Improvements, Series 1999. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan. The services of the Airport Fund will continue to be offered on an areawide basis.

At June 30, 2004, these combined funds reported an equity of \$5,510,000.

Account Groups

Account groups are accounting entities used to establish control over and accountability for the government's general fixed assets and the un-matured principal of its general long-term debt and other long-term obligations. There are two types of account groups: General Fixed Assets and General Long-Term Debt. Both the City and the Borough each have one General Fixed Assets Account Group and one General Long-Term Debt Account Group. Upon consolidation, the General Fixed Assets Account Groups and the General Long-Term Debt Account Groups will be combined. The Municipality of Ketchikan will have one General Fixed Assets Account Group and one General Long-Term Debt Account Group.

Both account groups are described as follows:

General Fixed Assets Account Group: Both the City and the Borough maintain an account group called the General Fixed Assets Account Group. The General Fixed Assets Account Group is a schedule of all general fixed assets not accounted for in any other fund. By definition, fixed assets of enterprise funds are excluded. Upon consolidation, both General Fixed Assets Account Groups will be combined into a single General Fixed Asset Account Group. Since assets included in the General Fixed Asset Account Group include assets designated for or acquired by financial resources of services, such assets will have to be identified and accounted for.

As of December 31, 2002, the City's General Fixed Assets Account Group is projected to have a balance of \$ 87,922,141. As of June 30, 2002, the Borough had a balance of \$85,054,254. The combined balance of general fixed assets will total approximately \$ 173 million.

General Long-Term Debt Account Group: Both the City and the Borough maintain an account group called the General Long-Term Debt Account Group. The General Long-Term Debt Account Group is a schedule of all long-term debt and other obligations of the Municipality not accounted for in any other fund. By definition, long-term debt and obligations of enterprise funds are excluded. Upon consolidation, both General Long-Term Debt Account Groups will be combined into a single General Long-Term Debt Account Group.

As of December 31, 2002, the City's General Long-Term Debt Account Group had a balance of \$ 11,933,620. As of June 30, 2002 the Borough had a balance of \$20,655,000. The combined balance of general long-term debt will total approximately \$ 33 million.

Conclusion

The three-year annual budget and the financial plan clearly demonstrate that the consolidation of the City and the Borough is financially feasible and beneficial to the residents of both the City and the Borough. The consolidation is projected to save approximately \$500,000 during the Municipality of Ketchikan's first year of operation. Future savings are anticipated after the initial year due to reduced workloads and efficiencies.

Sales taxes remain substantially unchanged except for the modification of the one percent (1%) Hospital Sales Tax that will change from a City sales tax to an areawide sales tax; a modification of .25% of the 1.5% Public Works sales tax to an areawide sales tax; and an increase in the non-city Transient Occupancy Tax from 4 to 7%. These tax rate changes will increase revenues by approximately \$300,000 in the first year.

Property taxes will not change.

The three-year annual budget compiled for the Municipality of Ketchikan is essentially in balance. As was discussed earlier, the current budgets for the general funds of the City and the Borough were not in balance. Going from an unbalanced budget to a balanced budget would normally, assuming all service levels and all revenues except for property taxes remain the same, result in an increase in the mill rate. Since the starting point for the three-year annual budget for the general fund of the Municipality of Ketchikan was the unbalanced budgets of the general funds of the City and the Borough, no changes in services were programmed.

Under an early budget scenario, the entire 1.5% Public Works sales tax and Public Safety

sales taxes were accounted for within the newly created Gateway Service area. Some of the Public Works functions, such as maintaining the Library and Museum, etc., have been transferred to the General Fund Public Works Department. It was noted that the costs had been transferred without a corresponding allocation in the Public Works Sales Tax revenues.

Therefore, in the final proposed consolidated budget, the tax rates to be established and all related references in the draft documents were revised to show a .25% decrease in the Gateway Service Area Public Works sales tax and a concurrent increase in the areawide general sales tax. This adjustment had the effect of transferring approximately \$500,000 of revenue from the Gateway Service Area to the consolidated General Fund and increased overall sales taxes by approximately \$100,000 in order to fund Public Works maintenance and operations on assets that are to be transferred from the former City of Ketchikan to the consolidated Municipality.

With the exception of a few funds, the proposed three-year budget balances revenues and expenditures in a responsible manner. The organization and the restructuring of the new government will be an on-going process that will take several years to complete. As the new assembly and the new management team work together to blend the two separate governments into a single, cohesive governmental unit, other cost saving measures will be identified or developed which will go toward further reducing the cost of local government and reducing the local tax burden.

EXHIBIT F-1
Three-Year Annual Budget
Municipality of Ketchikan

EXHIBIT F-2
Three-Year Annual Budget
Expenditure Summary By Category
Municipality of Ketchikan

EXHIBIT F-3
Disposition of City and Borough Assets and Liabilities

EXHIBIT F-4
Proposed Staffing Modifications
Municipality of Ketchikan

EXHIBIT F-1
Three-Year Annual Budget
Municipality of Ketchikan

EXHIBIT F-2
Three-Year Annual Budget
Expenditure Summary By Category
Municipality of Ketchikan

EXHIBIT F-3
Three-Year Annual Budget
Disposition of City of Ketchikan and Ketchikan Gateway Borough
Assets & Liabilities

EXHIBIT F-4
Proposed Staffing Modifications

EXHIBIT G

VOTING RIGHTS INFORMATION

Information relevant to consideration of the petition in terms of the federal Voting Rights Act is detailed below:

A. The consolidation of the City of Ketchikan and the Ketchikan Gateway Borough does not exclude minorities while including non-minorities.

Since the City of Ketchikan is already part of the Ketchikan Gateway Borough, the consolidation of these two governments cannot result in the exclusion or inclusion of any particular population. All of the people affected by the consolidation are already within the Ketchikan Gateway Borough and will remain part of the newly consolidated borough (the Municipality of Ketchikan).

The percentages of minorities living within the City of Ketchikan are nearly identical to the percentages of minorities living in the Ketchikan Gateway Borough. The Census 2000 Redistricting Data (Public Law 94-171) Summary File shows the City's population as 67.4% Caucasian; .7% African-American; 17.6% native; and 7% Asian-Pacific Islander. By comparison, the Borough's population was 74.3% Caucasian; .5% African-American; 15% native; and 4.5% Asian-Pacific Islander. The consolidation does not affect the percentage of minorities living in the Municipality of Ketchikan since that Municipality will have the same minority composition as the existing Ketchikan Gateway Borough.

The City of Saxman is a second-class city with a population of 431.¹ Approximately 88% of Saxman's population is identified as native. The City of Saxman is currently part of the Ketchikan Gateway Borough and will remain a part of the consolidated Municipality of Ketchikan. Under Article XIII of the proposed Charter for the Municipality of Ketchikan, the City of Saxman retains its status as a second-class City. The City of Saxman believes that it will be better able to receive state and federal funding and be better able to preserve its native culture if it retains its status as a city within the consolidated Municipality of Ketchikan. Representatives of the City of Saxman have expressed a desire to maintain its current status under the consolidated [Borough] Municipality.

The City of Saxman will retain its current powers over its museum, port, parks, recreation and economic development. To the extent provided by state law, the City of Saxman will exercise all other powers of a second-class city in a home rule borough. The consolidated Municipality of Ketchikan will exercise areawide and nonareawide powers in the City of Saxman. After consolidation, the residents of the City of Saxman will gain the right to vote on issues affecting Ketchikan Public Utilities that supplies electricity and telephone service to Saxman. Ketchikan Public Utilities has been owned and operated by the City of Ketchikan but will become owned and operated by the consolidated Municipality of Ketchikan.

¹ Based on the Census 2000 Redistricting Data (Public Law 94-171) Summary File

B. *Whether the electoral system of the proposed home rule borough fairly reflects minority voting strength.*

The proposed Charter for the Municipality of Ketchikan continues the at-large voting system that exists in the City of Ketchikan, the Ketchikan Gateway Borough and the Ketchikan Gateway School District. Minority voting strength is reflected through the at-large voting system. As noted earlier, the consolidation will extend to the population of the City of Saxman the right to vote and participate in issues affecting its electrical and telephone services.

C. *The extent to which minorities participated in the development of the consolidation proposal.*

The proposed consolidation has been discussed at innumerable public meetings during the course of the last five years. Public comment was permitted by all persons at these meetings. Furthermore, representatives of the City of Saxman were invited to participate in a charter review commission established for the purpose of creating an initial first draft of the proposed Charter. The Ketchikan Charter Commission has written to prominent minority group organizations to inform them of the pending consolidation and to invite formal and informal participation by the organizations and their members (see Exhibit G-1).

D. *Statement concerning the extent to which English in written and spoken forms is not understood by minorities at least eighteen years of age who reside in the territory proposed for consolidation.*

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

E. *Designation of Alaska Native for U.S. Department of Justice contract.*

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

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

EXHIBIT G-1
Letters to Minority Group Organizations
Regarding the Proposed Consolidation

KETCHIKAN CHARTER COMMISSION

March 10, 2004

«Fnam» «Lnam»
«Board»
«Add»
«City»

Dear Saxman Official:

We just wanted to let you know that Article XIII, Saxman, will be introduced at the March 12, 2004 Charter Commission meeting, reviewed in first reading by the Charter Commission on March 19, 2004, again on March 26, 2004, with a final reading on April 2, 2004. The Charter Commission's regular meetings are Friday evenings at 6 pm in the City Council Chambers.

Attached, for your review, is the language of the City of Ketchikan's 2001 Consolidation Charter document on Saxman. The 2004 Charter Commission needs input from the citizens affected by this section and would appreciate your comments, either at our meetings, on our Internet Forum at www.sitnews.us/ or by direct email to charter@kpunet.net.

Our regular meetings offer public comment time at the beginning of the meeting. We would certainly like to hear from you regarding your concerns about this section of the proposed Charter, or on any subject regarding consolidation of our two governing bodies.

Thank you. Hope to see you at the meetings.

Sincerely,

Debby Otte, Secretary
Ketchikan Charter Commission

Attachments, Article XIII

Fnam	Lnam	Board	Add	City
Dan	Williams	Mayor, City of Saxman	2706 South Tongass	Ketchikan, AK 99901
Gilbert	Benge	Vice Mayor, City of Saxman	2706 South Tongass	Ketchikan, AK 99901
Sylvia	Banie	Council Member, City of Saxman	2706 South Tongass	Ketchikan, AK 99901
Tim	Burton	Council Member, City of Saxman	2706 South Tongass	Ketchikan, AK 99901
Charles	Denny	Council Member, City of Saxman	2706 South Tongass	Ketchikan, AK 99901
Frank	Seludo	Council Member, City of Saxman	2706 South Tongass	Ketchikan, AK 99901
Martha	Williams	Council Member, City of Saxman	2706 South Tongass	Ketchikan, AK 99901

KETCHIKAN CHARTER COMMISSION

May 18, 2004

«Fnam» «Lnam»

«Board»

«Add»

«City»

Dear «Fnam» «Lnam»:

As you may be aware, the Ketchikan Charter Commission is in the process of refining a Petition to submit to the Local Boundary Commission for the consolidation of the City and Borough governments into one home-rule Municipality. We have been meeting since the end of January and have completed an initial review of the Charter document. Currently we are working on the actual Petition and Exhibits, including the Transition Plan and Budget.

The 2004 Charter Commission needs input from the citizens of Ketchikan and would appreciate your comments, either at our meetings, on our Internet Forum at www.sitnews.us/ or by direct email to charter@kpunet.net. The Draft documents are posted on our Sitnews website and updated on a regular basis, or are available for review at the City & Borough Clerks' offices or the Ketchikan Public Library.

Our regular meetings offer at time for public comment. We would certainly like to hear from you regarding your concerns about the proposed Petition and Exhibits (which includes the Charter), or on any subject regarding consolidation of our two governing bodies, and more specifically, from you as an official within your organization. We would like to invite both your formal and informal participation in this process and to extend this invitation to your organization's membership.

As was the case in the most recent consolidation effort, Saxman will retain its autonomy as a city located within the consolidated Municipality. If you have any specific concerns regarding election procedures, i.e. minority representation or government access within the new government, please let us know.

Thank you. We hope to hear from you.

Sincerely,

Debby Otte, Commission Secretary for
Glen Thompson, Chair
Ketchikan Charter Commission

Fnam	Lnam	Board	Add	City
Dan	Williams	Mayor, City of Saxman	2706 South Tongass	Ketchikan, AK 99901
Gilbert	Benge	Vice Mayor, City of Saxman	2706 South Tongass	Ketchikan, AK 99901
Sylvia	Banie	Council Member, City of Saxman	2706 South Tongass	Ketchikan, AK 99901
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Charles	Denny	Council Member, City of Saxman	2706 South Tongass	Ketchikan, AK 99901
Frank	Seludo	Council Member, City of Saxman	2706 South Tongass	Ketchikan, AK 99901
Martha	Williams	Council Member, City of Saxman	2706 South Tongass	Ketchikan, AK 99901
Stephanie	Rainwater-Sande	President, KIC Tribal Council	2960 Tongass Avenue	Ketchikan, AK 99901
Sam	Bergeron	Secretary, KIC Tribal Council	2960 Tongass Avenue	Ketchikan, AK 99901
David	Jensen	KIC Tribal Council	2960 Tongass Avenue	Ketchikan, AK 99901
Elmer	Makua	KIC Tribal Council	2960 Tongass Avenue	Ketchikan, AK 99901
Carrie	James	KIC Tribal Council	2960 Tongass Avenue	Ketchikan, AK 99901
Rob	Sanderson Jr.	KIC Tribal Council	2960 Tongass Avenue	Ketchikan, AK 99901
Norman	Arriola	KIC Tribal Council	2960 Tongass Avenue	Ketchikan, AK 99901
Merle	Hawkins	KIC Tribal Council	2960 Tongass Avenue	Ketchikan, AK 99901
Georgianna	Zimmerle	General Manager, Ketchikan Indian Community	2960 Tongass Avenue	Ketchikan, AK 99901
Harvey	Shields	Chairman, CFC Board of Directors	PO Box 8558	Ketchikan, AK 99901
Candace	Williams	Vice-Chairman, CFC Board of Directors	PO Box 8558	Ketchikan, AK 99901
Marilyn	Blair	President, CFC Board of Directors	PO Box 8558	Ketchikan, AK 99901
Matilda	Kushnick	Vice-President, CFC Board of Directors	PO Box 8558	Ketchikan, AK 99901
Clifford	Blair	Secretary/Treasurer , CFC Board of	PO Box 8558	Ketchikan, AK 99901

		Directors		
Michael	Dewitt	Director, CFC Board of Directors	PO Box 8558	Ketchikan, AK 99901
Tom	Harris	Director, CFC Board of Directors	PO Box 8558	Ketchikan, AK 99901
Franklin	James	Director, CFC Board of Directors	PO Box 8558	Ketchikan, AK 99901
Frank	Seludo	Director, CFC Board of Directors	PO Box 8558	Ketchikan, AK 99901
Bruce	Borup	CEO, Cape Fox Corporation	PO Box 8558	Ketchikan, AK 99901

KETCHIKAN CHARTER COMMISSION

1144 Black Bear, Ketchikan, AK 99901
email: charter@kpunet.net

June 24, 2004

Harvey Shields, Chairman
Cape Fox Corporation Board of Directors
PO Box 8558
Ketchikan, AK 99901

Dear Mr. Shields:

The Ketchikan Charter Commission expects to have completed initial work on the 2004 Draft Consolidation Petition toward the end of July. We would be most pleased to attend any regular meeting, or special meeting, the Cape Fox Corporation Board of Directors will be having in that time frame. We'd like to present the Draft Petition and answer any of the Directors' questions.

Please advise when it would be convenient for the Council for several members of the Charter Commission to attend a Board meeting toward the end of July. We would have copies of the Draft Petition and would be glad to answer questions or take suggestions from the members of the Board or attendees at the meeting.

The Ketchikan Charter Commission needs input from the community and would appreciate the opportunity to address the Cape Fox Corporation Board of Directors.

Thank you. We look forward to hearing from you and attending a meeting of your Board.

Sincerely,

Debby Otte, Commission Secretary for
Glen Thompson, Chair
Ketchikan Charter Commission
225-7814 (Home) or 228-5440 (Work)

c: Cape Fox Corporation Board of Directors
Bruce Borup, CEO, Cape Fox Corporation

KETCHIKAN CHARTER COMMISSION

1144 Black Bear, Ketchikan, AK 99901
email: charter@kpunet.net

June 24, 2004

Stephanie Rainwater-Sande, President
Ketchikan Indian Community Tribal Council
2960 Tongass Avenue
Ketchikan, AK 99901

Dear Ms. Rainwater-Sande:

The Ketchikan Charter Commission expects to have completed initial work on the 2004 Draft Consolidation Petition toward the end of July. We would be most pleased to attend any regular meeting, or special meeting, the KIC Tribal Council will be having in that time frame. We'd like to present the Draft Petition and answer any Council Members' questions.

Please advise when it would be convenient for the Council for several members of the Charter Commission to attend a Council meeting toward the end of July. We would have copies of the Draft Petition and would be glad to answer questions or take suggestions from the members of the Council or attendees at the meeting.

The Ketchikan Charter Commission needs input from the community and would appreciate the opportunity to address the Ketchikan Indian Community.

Thank you. We look forward to hearing from you and attending a meeting of your Tribal Council.

Sincerely,

Debby Otte, Commission Secretary for
Glen Thompson, Chair
Ketchikan Charter Commission
225-7814 (Home) or 228-5440 (Work)

c: KIC Tribal Council
Georgianna Zimmerle, General Manager, KIC

KETCHIKAN CHARTER COMMISSION

1144 Black Bear, Ketchikan, AK 99901

email: charter@kpunet.net

June 24, 2004

Dan Williams, Mayor
City of Saxman
2706 South Tongass
Ketchikan, AK 99901

Dear Mr. Williams:

The Ketchikan Charter Commission expects to have completed initial work on the 2004 Draft Consolidation Petition toward the end of July. We would be most pleased to attend any regular meeting, or special meeting, the Saxman Council will be having in that time frame. We'd like to present the Draft Petition and answer any Council Members' questions. I note that normally your body meets the third week of the month, on Wednesday. That would indicate your next meeting would be on July 21st.

Please advise if it would be convenient for the Council for several members of the Charter Commission to attend your Council meeting on July 21st with copies of the Draft Petition. We would be glad to answer questions or take suggestions from the members of the Council or attendees at the meeting. Should this date not be available for us to attend, please let us know any other date it would be better for us to attend.

As was the case in the most recent consolidation effort, Saxman will retain its autonomy as a city located within the consolidated municipality. If you have any specific concerns regarding election procedures, i.e. minority representation or government access within the new government, please let us know.

Thank you. We hope to hear from you.

Sincerely,

Debby Otte, Commission Secretary for
Glen Thompson, Chair
Ketchikan Charter Commission
225-7814 (Home) or 228-5440 (Work)

c: City of Saxman Council Members

EXHIBIT H BRIEF

This exhibit presents a statement fully explaining how the proposed consolidation satisfies the standards set out in Article X, §§ 1, 3 and 5 of Alaska's constitution; AS 29.06.130; AS 29.05.031; 3 AAC 110.240 - 3 AAC 110.250; 3 AAC 110.045 - 3 AAC 110.060; and 3 AAC 110.910. The brief references each of these standards and explains why the proposed consolidation is good public policy. The brief in conjunction with Exhibit A demonstrates that:

1. The proposed consolidation promotes maximum local self-government with a minimum of local government units in accordance with Article X, § 1 of the Constitution of the State of Alaska.

The greater Ketchikan community is located on Revillagigedo Island, which is situated in the southern portion of the Southeast Alaska panhandle. Having a population of approximately 13,500 inhabitants, the Ketchikan community has long been the center of residential, retail and business activity within this region of the State. Although its residents share a multitude of common social and economic ties, they are served by three separate and distinct local governments: the Ketchikan Gateway Borough, a second class borough serving the entire Ketchikan community; the City of Ketchikan, a home rule city located within the Borough; and, the City of Saxman, a second class city also located within the Borough.

Article X, Section 1 of the Alaska Constitution states that the purpose of the Local Government Article is to "provide a maximum of local self-government with a minimum of local government units." The proposed consolidation serves both of these constitutional principles. First, the consolidation dissolves the home rule City of Ketchikan and the second class Ketchikan Gateway Borough, in order to form one consolidated home rule local government encompassing both entities. Under the proposed consolidation configuration, the existing City of Ketchikan will become a service area managed under the consolidated home rule borough and the City of Saxman will retain its second-class city status. Second, as a home rule borough, the newly established borough government will have the highest level of local self-government allowed by the Alaska Constitution.

The City of Saxman was intentionally excluded from the proposed consolidation of the City of Ketchikan and the Ketchikan Gateway Borough into a home rule borough. The City of Saxman has long believed that retaining its status as a second-class city within the consolidated [Borough] Municipality will preserve its native culture and enhance its ability to secure state and federal funding.

Minimum units of local government

The City of Ketchikan was incorporated in 1900. In 1964, it became a home rule city. The 2003 estimated population of the City was 8,002 . The City operates under a council-

manager form of government. The City Council is comprised of seven Council members who are elected at-large from within the City boundaries. The Mayor, who is also elected at-large, is not a member of the City Council, but does vote in the case of a tie.

The City of Saxman was incorporated in 1929. With a 2003 estimated population of 425 , the second class city under Alaska Statutes has a city council comprised of seven council members. A mayor is selected by the City Council from its members on an annual basis. Day-to-day operations of Saxman are managed by a City Administrator.

The Ketchikan Gateway Borough was formed in 1963 as one of the original "local option" boroughs. A second-class borough with a 2003 estimated population of 13,548, the boundaries of the Ketchikan Gateway Borough encompass both the City of Ketchikan and City of Saxman. Similar to the City of Ketchikan, the Ketchikan Gateway Borough operates under an assembly/manager form of government. The Borough Assembly is comprised of seven Assemblymembers who are elected at-large from within the Borough boundaries. The Mayor, who is also elected at-large, is not a member of the Borough Assembly, but does vote in the case of a tie.

Although the seventh largest political subdivision in the state, the population of the Ketchikan Gateway Borough is relatively small. Given the fact that approximately 61.4 percent of the Borough's population resides within the City of Ketchikan and that the social and economic ties of all Borough residents, whether they reside inside or outside the City, are integrated and strong, it is inefficient to maintain the City of Ketchikan and the Ketchikan Gateway Borough as two separate governmental structures. The inefficiency is readily apparent when one considers the overlapping responsibilities and costs necessary to operate these two independent governments. Currently, for example, there exist two governing bodies and seven departments within the City of Ketchikan and the Ketchikan Gateway Borough that are analogous to one another and which require a redundant investment of community resources:

- ✓ City Council and Borough Assembly;
- ✓ City Clerk and Borough Clerk;
- ✓ City Manager and Borough Manager;
- ✓ Assistant City Manager and Assistant Borough Manager;
- ✓ City Human Resources Manager and Borough Human Resources Manager;
- ✓ City Public Works Director and Borough Public Works Director;
- ✓ City Data Processing and Borough Automation;
- ✓ City Attorney and Borough Attorney; and
- ✓ City Finance and Borough Administrative Services.

Consolidation will provide for the amalgamation of these governing bodies and departments. The government structure resulting from consolidation will be significantly smaller and less costly to the community as a whole. As is discussed in the Transition Plan, the consolidated government is initially expected to have eight less elected officials

and five less middle and upper management positions than are currently retained by the City and Borough. The elimination of these positions will initially result in annual savings to the community in excess of \$500,000. It is anticipated that additional savings will accrue to the consolidated government as further efficiencies are identified in the future and transitional personnel are no longer necessary.

Separate City and Borough governments often lead to confusion and frustration among the citizenry of Ketchikan. Both the City and Borough are responsible for separate and distinct services that benefit the entire community of Ketchikan. Residents of the community often become perplexed and frustrated when attempting to determine which government is responsible for what service.

The Borough is, for example, responsible for land use regulation on an areawide basis, while the City is charged with enforcement of building codes within its boundaries. Often the two are at odds and the local resident finds himself or herself shuffling back and forth between the two entities for answers. Depending on the issue, constituents may find themselves in the position of not only having to deal with two government staffs, but two elected boards as well.

A consolidated government by its very nature will provide for a higher degree of accountability. One elected board and management staff will be responsible for exercising and providing all areawide and nonareawide powers and services within the community in as an efficient and cost-effective manner as possible. Issues of "turf" will be eliminated and residents of the community will have direct knowledge of who is responsible for satisfying constituent concerns.

The inefficiency of two governmental entities representing Ketchikan is further apparent in the community's dealings with State and Federal agencies. While the community has formed the Ketchikan Community Legislative Liaison Committee, a non-binding organization comprised of representatives from the City of Ketchikan, City of Saxman, Ketchikan Gateway Borough and other community groups, countless issues arise which position the City's interests in opposition to those of the Borough. One need only look to the Shoreline annexation petition submitted by the City, as well as the Borough's subsequent response, to understand the inefficiencies and conflict of two governmental agencies representing essentially the same population. Given the decline of Southeast Alaska's natural resource-based economy and the State's current fiscal gap, it is incumbent upon elected and appointed officials to encourage as efficient a local government as possible and to speak with one voice when seeking State and Federal assistance.

Maximizes self government

Consolidation of the City of Ketchikan and the Ketchikan Gateway Borough proposes to create one governmental entity under a home rule form of government. Under the Alaska Constitution, a home rule form of government provides for the maximum level of self-

government. More efficient than a second-class borough, a home rule borough will enable local residents to define for themselves, under the borough Charter, which powers are exercised and how new powers may be assumed. The proposed Charter extends similar protection to service areas in that the residents will determine which powers are exercised and how new powers may be assumed.

The home rule charter is a powerful tool that customizes local government to local needs and desires. Home rule municipalities may exercise any power in any manner not specifically limited by state law. Under a home rule form of government, a Municipality, through its charter, may augment or limit local government powers. By the formation of a home rule borough through consolidation of the City of Ketchikan and the Ketchikan Gateway Borough, local residents will be empowered to define for themselves which powers are to be exercised and how these powers may be assumed.

2. The boundaries of the proposed borough embrace an area and population with common interests to the maximum degree possible in accordance with Article X, § 3 of the Constitution of the State of Alaska.

The Ketchikan Gateway Borough is located near the southernmost boundary of Alaska, in the Southeast Panhandle. Comprised of 1,220 square miles of land area and 524 square miles of water area, the Borough encompasses Revillagigedo, Gravina and Pennock Islands, as well as several other smaller islets.¹ Incorporated in 1963 as a result of the State Mandatory Borough Act, the Ketchikan Gateway Borough is the second smallest Borough in the State in geographic terms. Having an estimated population of 13,548, the Borough includes the Cities of Ketchikan and Saxman, as well as a number of smaller but well-defined neighborhoods located along the main road system.

Article X, Section 3 of the Alaska Constitution states that each "borough shall embrace an area and population with common interests to the maximum degree possible." The proposed consolidation of the Ketchikan Gateway Borough and City of Ketchikan will not alter or amend the existing boundaries of the Borough. As the boundaries of the Ketchikan Gateway Borough currently embrace an area and population with common interest, consolidation of the City and Borough will also embrace an area and population with common interest.

It is recognized that the boundaries of the proposed consolidated borough do not coincide with the model boundaries of the Ketchikan Gateway Borough as established by the Local Boundary Commission. Although the model boundaries are not incorporated within this petition for consolidation, the proposal is a further step in the right direction with respect to achieving a more efficient government with the maximum level of self-government. The proposed consolidation should be considered as significant progress toward meeting the goal of achieving an ideal municipal boundary.

¹ Alaska Department of Community and Economic Development, 2003.

3. The population of the proposed borough is interrelated and integrated as to its social, cultural, and economic activities, and is large and stable enough to support a borough in accordance with AS 29.05.031(a)(1), 3 AAC 110.045(a), (b), (d) and 3 AAC 110.050.

The proposed consolidation will dissolve the home rule City of Ketchikan and the second class Ketchikan Gateway Borough, in order to form one consolidated home rule local government within the current boundaries of the Borough. Having approximately sixty percent of the total Borough residents, the City of Ketchikan is the most densely populated area within the Borough. Other smaller but well defined neighborhoods include Waterfall, North Point Higgins, South Point Higgins, Pond Reef, Forest Park, Shoup Street and Mountain Point.

Connected by a highway road system of less than 40 miles, the City of Ketchikan and other defined neighborhoods are one and the same community, interconnected and interdependent. Whether one resides outside the City as a Borough resident or inside the City as a City and Borough resident, all identify themselves as being from "Ketchikan". The area is further united by areawide education, health and utility (telephone and electric) systems. Demographic and socio-economic data collected by both the federal and state governments display uniformity in the community (see Exhibit A-2).

The population of the existing Borough is currently interrelated and integrated as to its social, cultural and economic activities and is large and stable enough to support itself in accordance with AS 29.05.031(a)(1), 3 AAC 110.045(a), (b), (d), and 3 AAC 110.050. Consolidation of the City of Ketchikan and the Ketchikan Gateway Borough will not alter the Borough boundaries and therefore will not alter the current Borough population. Consolidation of the City and Borough simply provides for a single government entity representing a population that shares a common set of social, economic and cultural interests. As previously mentioned, the formation of a home rule borough through consolidation of the City of Ketchikan and the Ketchikan Gateway Borough, will empower local residents to define for themselves which powers are to be exercised and how these powers may be assumed.

4. The boundaries of the proposed borough conform generally to natural geography and include all areas necessary for full development of municipal services in accordance with AS 29.05.031(a)(2) and 3 AAC 110.060.

Given the fact that the proposed boundaries of the home rule borough will not be altered, they will continue to conform to the natural geography of the area, and will include all land and water necessary to provide for the full development of essential borough services on an efficient and more cost-effective level. To that end no changes in land use or ownership patterns are anticipated. Land use regulations and platting requirements are consistent throughout the Borough, including the City.

5. The economy of the area within the proposed borough includes the human and

financial resources capable of providing municipal services in accordance with AS 29.05.031(a)(3) and 3 AAC 110.055. Elements of the economy specifically addressed include: land use, property values, total economic base, total personal income, resource and commercial development, anticipated functions, anticipated expenses and anticipated income of the proposed borough. The economy of the area within the proposed borough currently includes the human and financial resources capable of providing municipal services in accordance with AS 29.05.031(a)(3) and 3 AAC 110.055.

Consolidation of the City of Ketchikan and the Ketchikan Gateway Borough will not alter the Borough boundaries and therefore will not alter the current financial resources capable of providing municipal services. Consolidation of the City and Borough provides for a single government entity that is more efficient. The government structure resulting from consolidation will be significantly smaller and less costly to the community as a whole. As is discussed in the Transition Plan, the consolidated government is initially expected to have eight less elected officials and five less middle and upper-management positions than are currently retained by the City and Borough. The elimination of these positions will initially result in annual savings to the community in excess of \$500,000. It is anticipated that additional savings will accrue to the consolidated government as further efficiencies are identified in the future and transitional personnel are no longer necessary.

The newly formed Municipality will provide only those services that are currently provided to the community through existing Borough or existing City services. No new services are proposed to be provided. These services include the following:

1. Emergency 911 Dispatch
2. Library
3. Museum
4. Civic Center
5. Public Health, including Mental Health and Substance Abuse
6. Hospital
7. Cemetery
8. Solid Waste Disposal
9. Ports and Harbors
10. Telecommunications (borough-owned Utility)
11. Electricity (borough-owned Utility)
12. Water Service (borough-owned Utility)
13. Transportation, including Airport and Public Transit
14. Economic Development
15. Parks & Recreation
16. Animal Control

As is discussed in Sections 7 and 8 of the Petition; as is documented in the Three-Year Annual Budget (see Exhibit F); and as is detailed in the Transition Plan (see Exhibit J), the newly formed borough will have the financial resources to provide these services. The

Municipality of Ketchikan's budget will be balanced - unlike the current spending plans of the City of Ketchikan and the Ketchikan Gateway Borough. The proposed three-year financial plan eliminates the \$932,093 in combined deficit spending that exists in the City's and the Borough's current budgets **without significantly raising taxes**.

Although the three-year budget plan is balanced, the Petitioner is constrained to point out that the newly elected Assembly will have the opportunity to review the first year spending plan of the consolidated Municipality. It may choose to continue deficit spending and collect no new taxes. Alternatively, the Assembly and the newly appointed management staff may elect to enact further consolidation efforts and eliminate the need for any increased taxes.

Lastly, consolidation of the City and Borough will not alter the existing land use designations or property values and no change in the economic base of the community is anticipated. Resource and commercial development will only be affected to the extent that, in some instances, instead of having to deal with two independent local government entities, one consolidated borough will speak for the community. With one set of goals and objectives, working with a single local governmental agency will eliminate doubling of efforts and possible differing or opposing objectives.

Clearly, the economy of the area within the proposed borough includes the human and financial resources capable of providing municipal services in accordance with AS 29.05.031(a)(3) and 3 AAC 110.055.

6. Land, water, and air transportation facilities allow the communication and exchange necessary for the development of integrated government in accordance with AS 29.05.031(a)(4) and 3 AAC 110.045(b).

The community's communication systems are fully integrated and well developed. Telecommunication services are provided throughout the primary roaded system of the Borough. Telephone is provided by the City-owned Ketchikan Public Utilities operating as KPU Telecommunications. Cable television is furnished by GCI, Inc., with local television access provided by CBS affiliate KUBD. The Ketchikan Daily News is the local newspaper of general circulation in the area. Four radio stations serve the area: KRBD-105.9FM, the local public broadcasting station, and the private stations of KFMJ-99.9FM, KGTW-106.7FM and KTKN-930AM.

The community has a well-developed transportation network that includes roads, air and ferry systems. Tongass Highway, a State constructed and maintained highway, is the backbone of the community's roaded system. Daily, year-round, jet airline service is provided by Alaska Airlines and several smaller floatplane companies provide air transportation to and from the community. The Ketchikan International Airport is owned by the State of Alaska, but operated by the Ketchikan Gateway Borough. Car-Ferry service is provided by the State of Alaska who owns and operates the Alaska Marine Highway System. The Craig-based Inter-Island Ferry Authority also operates a ferry between

Ketchikan and Prince of Wales Island. Further, there is new daily ferry service operated between Ketchikan and neighboring community, Metlakatla.

The Ketchikan Gateway Borough currently possesses the communication media and the land, water and air transportation facilities throughout its boundaries to allow the level of communication and exchange necessary for an integrated borough government. Given the fact that the proposed boundaries of the existing Ketchikan Gateway Borough will not be altered through consolidation of the Borough and City of Ketchikan, the newly formed home rule borough will continue to possess these facilities.

7. Incorporation of the proposed borough through consolidation will not deny any person the enjoyment of any civil or political right because of race, color, creed, sex or national origin in accordance with 3 AAC 110.910.

The City of Ketchikan and the Ketchikan Gateway Borough, independent municipalities governed under Alaska State Statutes, currently do not deny any person the enjoyment of any civil or political right, including voting rights, based on race, color, creed, sex, or national origin. Consolidation of the two independent entities into one home rule borough, containing the same boundaries and population as the current Borough, will not alter or deny any person the enjoyment of their civil or political rights.

CHARTER – MUNICIPALITY OF KETCHIKAN

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CHARTER

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CHARTER – MUNICIPALITY OF KETCHIKAN

Page 1



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Preamble

We, the people of the greater Ketchikan area, in order to form an efficient and economical government with just representation, do hereby ordain and establish this Charter of the Municipality of Ketchikan.

CHARTER – MUNICIPALITY OF KETCHIKAN

Page 2

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**Article I**

**Section 1.01 Name**

The municipal corporation shall be known as " Ketchikan." Whenever it deems in the public interest to do so, the Municipality may use the name "Municipality of Ketchikan."

**SECTION 1.02 TYPE AND CLASS OF GOVERNMENT**

Ketchikan shall be a home rule borough and shall operate as an "assembly/manager" form of government.

**Section 1.03 Boundaries**

The boundaries of the Municipality shall be the same as the boundaries of the Ketchikan Gateway Borough as they exist on the date of ratification of this Charter. The boundaries of the Municipality may be changed in the manner provided by law.

**Section 1.04 Powers**

The Municipality may exercise all powers of a home rule borough not prohibited by law or by this Charter. All powers of the Municipality shall be exercised in the manner prescribed by this Charter or applicable laws or, if the manner is not thus prescribed, then in such a manner as the Assembly or other authority may prescribe.

**CHARTER – MUNICIPALITY OF KETCHIKAN**



**ARTICLE II THE ASSEMBLY**

**SECTION 2.01 LEGISLATIVE POWERS.**

The legislative power of the Municipality is vested in the Assembly.

**SECTION 2.02 TERMS AND REPRESENTATION.**

(a) **Composition of Assembly.** The Assembly, elected by the qualified voters of the Municipality, shall be composed of seven assemblymembers.

(b) **Mayor.** The mayor shall be elected by the qualified voters of the Municipality.

(c) **Terms.** The term of the office of all assemblymembers elected after the first election under this Charter and the term of office of the mayor shall be three years and until a successor qualifies.

(d) **Terms of Assemblymembers and Mayor Elected at First Election.** At the first election under this Charter, the two assemblymember candidates receiving the highest number of votes at large shall be elected for three-year terms and until a successor qualifies. The three candidates receiving the next highest number of votes at large shall be elected for two-year terms and until a successor qualifies. The two candidates receiving the next highest number of votes at large shall be elected for one-year terms and until a successor qualifies. At the first election under this Charter, the Mayor shall be elected for a three-year term and until a successor qualifies. For purposes of computing the length of the first term for persons elected at the first election, the period between that first election and the first Tuesday of October immediately following that first election will not be considered. The first regular election provided for in Section 5.01(a) will occur no earlier than twelve months after the effective date of this Charter.

(e) **Representation at Subsequent Elections.** At all subsequent regular elections, the election to fill the offices of assemblymembers and the mayor shall be at large by the qualified voters of the Municipality for three-year terms except as provided in Section 2.04(c) of this Charter.

(f) **Term of Office** The term of office of the mayor and each assemblymember shall begin upon certification of the results of the election at which the assemblymember was duly elected.

(g) **Term Limits.** The Assembly, subject to voter approval, may adopt term limitations for the offices of mayor and assemblymembers. Such term limitations shall not prohibit

**CHARTER – MUNICIPALITY OF KETCHIKAN**

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persons from serving at least two consecutive three-year terms.

**SECTION 2.03 QUALIFICATIONS.**

(a) **Residency.** Except as may be otherwise provided by law, only a qualified voter of the Municipality who has been a resident of the Municipality for at least one year immediately preceding election or appointment to office shall be qualified for elective municipal office.

(b) **Determination of Qualifications and Forfeiture.** The Assembly shall be the judge of the election and qualifications of its members and of grounds for forfeiture of office and for that purpose shall have power to subpoena witnesses, administer oaths, and require production of evidence. An assemblymember charged with conduct constituting grounds for forfeiture of office shall be entitled to a public hearing on demand.

**SECTION 2.04 VACANCIES AND FORFEITURE OF OFFICE**

(a) **Creation of Vacancies.** The office of an elected municipal official shall become vacant upon death, resignation, or removal from office in any manner authorized by law or by this Charter, or by forfeiture of office.

(b) **Forfeiture of Office.** An elected municipal official shall forfeit office if the official:

- (1) Is convicted of a felony.
- (2) Fails to comply with all qualifications prescribed by this Charter or applicable law.
- (3) Knowingly violates any prohibitions of this Charter.
- (4) Fails to attend three consecutive regular meetings of the Assembly without being excused by the Assembly.
- (5) Fails to take office within thirty days after election or appointment.
- (6) Ceases to be a qualified voter residing in the Municipality.
- (7) Commits an act punishable under Subsection 16.01(b) of this Charter.

(c) **Filling of Vacancies.** The Assembly shall, by ordinance, establish procedures for filling of vacancies in the office of assemblymember and mayor. The Assembly shall appoint a qualified person as an assemblymember to serve until the next regular election when a qualified successor will be elected at large and certified to fill the remainder of the un-expired term. If a vacancy occurs in the office of mayor, the vice mayor shall act as mayor until the Assembly appoints a qualified person to serve as mayor until the next regular election when a qualified successor will be elected at large and certified to fill the remainder of the un-expired term.

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**SECTION 2.05 ORGANIZATION AND OFFICERS.**

(a) **Mayor.** The mayor shall preside at meetings of the Assembly and shall be recognized as head of the municipal government for all ceremonial purposes and by the governor for purposes of martial law. The mayor shall have no administrative duties except that the Assembly may authorize the mayor to sign written obligations of the Municipality and perform other occasional duties on behalf of the Assembly.

(b) **Vice Mayor.** Not later than the first regular meeting of the Assembly in November each year, the Assembly shall elect from its membership a vice mayor who shall act as mayor during the absence or disability of the mayor or as provided in Section 2.04(c) above. The vice mayor shall vote as an assemblymember but shall never have the power to veto.

**SECTION 2.06 SALARIES AND COMPENSATION.**

The Assembly, by ordinance, shall determine the salary of the mayor and assemblymembers. An increase in salary shall not take effect until the Assembly meeting following the regular election after the ordinance has been adopted. The Assembly may, by ordinance, provide for expense accounts and/or other payments to the mayor and assemblymembers for expenses incurred in their official duties.

**SECTION 2.07 MEETINGS.**

The Assembly shall meet regularly and at such times and places as shall be prescribed by ordinance. Special meetings shall be held at the call of the mayor or of four or more assemblymembers and, whenever practicable, reasonable notice shall be given. All meetings of the Assembly shall comply with the Alaska Open Meetings law and other applicable laws regarding such meetings.

**SECTION 2.08 RULES AND RECORD.**

The Assembly shall, by ordinance, determine its own rules and order of business and shall maintain a journal of its proceedings as a permanent public record.

**SECTION 2.09 VOTING.**

(a) **Quorum and Voting** -- Requirements. Four assemblymembers shall constitute a quorum. No Assembly action shall be valid or binding unless adopted by an affirmative vote of four or more assemblymembers. All assemblymembers present shall be required to vote subject to Section 16.01 of this Charter.



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(b) **Mayor's Vote and Veto.** The mayor shall not have a vote except in the case of a tie. The mayor shall vote in the case of a tie subject to Section 16.01 of this Charter. The mayor shall have the power to veto actions of the Assembly except the confirmation or rejection of appointees and except those actions described in Alaska Statutes 29.20.270(c) and (e) (2003). The veto may be exercised at any time prior to the beginning of the next regular meeting of the Assembly provided, however, that the subject of the veto has not passed out of the control of the Assembly prior to the exercise of the veto. The mayor shall advise the Assembly in writing no later than the beginning of the next regular meeting of the reasons for vetoing an action. At such meeting, the Assembly may finally pass an action, ordinance, or resolution over the veto of the mayor, whether or not the mayor submits the reasons for the veto. An affirmative vote of at least two-thirds (2/3) of the total membership of the Assembly shall be required to pass an action, ordinance, or resolution that has been vetoed by the mayor, and the vote shall be by yeas and nays and shall be entered in the journal.

(c) **Roll Calls.** A roll call vote shall be taken whenever required by law or whenever requested by any member of the Assembly. Roll call votes shall be entered in the journal. A roll call vote shall be taken on appropriations for the expenditure of funds and on the passage of ordinances.

**SECTION 2.10 PROHIBITIONS.**

(a) **Other Public Offices, Employment, or Contracts.**

- (1) No elected municipal official shall be hired or appointed to any compensated municipal office or municipal employment for a period of one year after vacating office, other than membership on a board or commission.
- (2) The relationship of independent contractor for goods and services does not constitute employment for the purposes of this section. Subject to any further limitations established by ordinance, elected municipal officials may enter into contracts with the Municipality and may buy from, exchange with, or sell to the Municipality provided that: A) the contract, purchase, exchange, or sale is awarded through an outcry public auction or through a competitive bidding process in which sealed bids are submitted and the bid most advantageous to the Municipality is selected; B) the contract, purchase, exchange, or sale is approved by the Assembly; or C) the goods or services contracted for, purchased, exchanged, or sold at an amount to be set by ordinance or regulation.

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(b) **Relationship with Employees.** The Assembly shall not recommend or direct the appointment or removal of any officer or employee of the Municipality's administration except as provided by this Charter. Subordinates of the municipal manager shall report to and obtain direction from the municipal manager and not from the Assembly, the mayor, or individual assemblymembers.

(c) **Representation of Client.** No assemblymember may represent any client before any municipal department, agency, school district, or utility.

**SECTION 2.11 INVESTIGATIONS.**

The Assembly may conduct hearings and may make investigations into matters affecting the Municipality and matters concerning the conduct of any municipal department, office, or agency. The Assembly may subpoena witnesses, administer oaths, take testimony, and require production of evidence. Any person who fails or refuses to obey a subpoena or a lawful order issued in the exercise of these powers by the Assembly shall be guilty of a misdemeanor.

**SECTION 2.12 CLERK.**

There shall be a Municipal Clerk who shall be an officer of the Municipality appointed by the Assembly and who shall serve at the pleasure of the Assembly. The Assembly may suspend or remove the Clerk at any time by vote of the Assembly.

**SECTION 2.13 MUNICIPAL ATTORNEY.**

There shall be a Municipal Attorney appointed by the Assembly who shall serve at the pleasure of the Assembly. The Assembly may suspend or remove the Municipal Attorney at any time by vote of the Assembly.

**SECTION 2.14 SPECIAL ADVISORS.**

The Assembly may appoint special legal and financial advisors for bond issues or other matters and shall retain such legal counsel as it requires.

**SECTION 2.15 BOARDS AND COMMISSIONS.**

(a) **Boards and Commissions.** The Assembly may establish boards and commissions, shall prescribe their duties, purpose, and functions, and the qualifications and conditions of service of the appointed members. Members of boards and commissions shall be appointed by the mayor, subject to confirmation by the Assembly. A quorum of any board

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or commission and the number of members required to approve an action shall be a majority of its membership unless otherwise determined by the Assembly.

(b) By ordinance, the Assembly may create or designate itself to be a board of review, adjustment, or equalization.

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**ARTICLE III LEGISLATION**

**SECTION 3.01 ACTION REQUIRED BY ORDINANCE.**

In addition to other acts required by law or by this Charter to be done by ordinance, those acts of the Assembly shall be done by ordinance which:

- (a) Adopt or amend an administrative code;
- (b) Provide for a fine or other penalty or establish a rule or regulation for the violation of which a fine or other penalty is imposed;
- (c) Levy taxes, except the Assembly may, by resolution or ordinance, establish the mill levy on which property taxes shall be collected;
- (d) Grant, renew, or extend a franchise;
- (e) Establish the rates charged by the municipal utilities except as provided in paragraph 8.02(c)(2);
- (f) Authorize the borrowing of money;
- (g) Establish procedures for the conveyance, disposition, or lease of real and personal property of the Municipality;
- (h) Propose amendments to this Charter;
- (i) Adopt, with or without amendment, ordinances proposed under initiative powers;
- (j) Fix the wages and benefits of members of the Assembly;
- (k) Adopt, modify, or reject the comprehensive plan, land use or subdivision regulations, building and housing codes, and the official zoning map;
- (l) Amend or repeal any ordinance previously adopted except as otherwise provided in Article VI with respect to repeal of ordinances reconsidered under the referendum power;
- (m) Establish a formal procedure for acquisition from the state of land or rights in land and disposal of those lands or rights in land;

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(n) Authorize any contract, other than a contract for the purchase, sale, conveyance, disposition, or lease of real property, which by its terms will not be fully executed within five years and which cannot be terminated by the Municipality without penalty upon notice of thirty (30) days or less.

## **SECTION 3.02 ORDINANCES - GENERAL.**

Except as otherwise provided in this Charter, the following procedure shall govern the enactment of all ordinances:

(a) **Enacting Clause.** The enacting clause of all ordinances passed by the Assembly shall be, "Be it ordained by the Assembly of the Municipality of Ketchikan, Alaska", or similar words to that effect, and of all ordinances proposed by the voters under their power of initiative, "Be it ordained by the People of the Municipality of Ketchikan, Alaska", or similar words to that effect;

(b) **Readings.** A proposed non-emergency ordinance shall be read in full or by title only, and an affirmative vote of a majority of the Assembly shall be required for advancing to public hearing and second reading. A non-emergency ordinance in which substantive amendments are made in first reading shall require an additional reading before passing to second reading. Notice of the public hearing containing a summary of the ordinance and the time and place for the hearing shall be published not less than five (5) days prior to the date of the public hearing. Before a vote on final passage, a proposed non-emergency ordinance shall be read by title or in full and an affirmative vote of a majority of the Assembly shall be required for its final passage;

(c) **Passage, Publication, and Effective Date.** Emergency ordinances and ordinances making, repealing, transferring, or otherwise changing appropriations shall go into effect immediately upon final passage unless they specify a later time. All other ordinances shall go into effect the day following the next regular meeting after the adoption of said ordinance unless the ordinance specifies otherwise.

## **SECTION 3.03 ORDINANCES - EMERGENCY.**

An emergency ordinance is an ordinance that in the judgment of the assembly is necessary to meet a public emergency and which will become effective immediately without a second reading. Every such ordinance shall contain, as a part of its title, the words, "and declaring an emergency: and in a separate section, herein called the emergency section, shall declare the emergency. An affirmative vote of at least two-thirds (2/3) of the members of the Assembly shall be required for the final passage of an emergency ordinance.



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**SECTION 3.04            ORDINANCES - ADOPTION BY REFERENCE.**

The Assembly, by ordinance, may adopt by reference codes, ordinances, standards, and regulations relating to matters that it has power to regulate otherwise. Such code, ordinance, standard, or regulation so adopted need not be enrolled in the book of ordinances; but a copy shall be filed and kept in the office of the Clerk. The Clerk shall keep copies of all such codes, ordinances, standards, and regulations in force for distribution or sale at their approximate cost.

**SECTION 3.05            ORDINANCES - CODIFICATION.**

The ordinances shall be codified and the Municipal Code shall be made available to the public in electronic and printed form. Procedures for codification shall be set forth in ordinances adopted by the Assembly.

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**ARTICLE IV: MUNICIPAL MANAGER AND ADMINISTRATIVE DEPARTMENTS**

**Section 4.01 Municipal Manager: Appointment, Term, Qualifications, Removal.**

There shall be a municipal manager appointed by the Assembly who shall serve at the pleasure of the Assembly. At the time of appointment, the manager need not be a resident of the Municipality, but during the manager's tenure of office, the manager shall reside within the Municipality. Neither the mayor nor any assemblymember may be appointed manager during the period of not less than one year after vacating office. The Assembly may suspend or remove the manager at any time by a vote of the Assembly.

**Section 4.02 Municipal Manager: Powers and Duties.**

The manager shall be the chief administrative officer and head of the administrative branch of the municipal government. The manager shall execute the laws and ordinances and administer the government of the Municipality. The manager shall:

- (a) **Hire and Remove Employees.** Appoint, lay-off, suspend, demote, or remove all directors or heads of administrative departments and all other officers and employees of the Municipality, (except personnel in the department of Law, the Clerk's office, school district, and employees appointed by the Assembly or their subordinates). The manager may delegate this power and duty to directors or heads of departments and other administrative officers;
- (b) **Supervise Departments.** Supervise and control all administrative departments, agencies, officers, and employees appointed by the manager or by agencies and officers subordinate to the manager;
- (c) **Prepare Budgets.** Prepare budgets annually as required by the Assembly and submit them to the Assembly for approval. Be responsible for the administration of the required budgets after they go into effect, and recommend to the Assembly any changes in the budgets which the Manager deems desirable;
- (d) **Report.** Submit to the Assembly a report as of the end of the fiscal year on the finances and administrative activities of the Municipality for the preceding year;
- (e) **Make Recommendations.** Keep the Assembly advised of the financial condition and future needs of the Municipality and make recommendations on policy and other





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**ARTICLE V: NOMINATIONS - ELECTIONS**

**Section 5.01 General Requirements.**

(a) **Regular Elections.** A regular election shall be held on the first Tuesday in October of every year.

(b) **Special Elections.** The Assembly, by ordinance or resolution, may call special elections.

(c) **Questions Submitted at Elections.** The Assembly, by ordinance or resolution, may submit questions to the voters at a special election or at a regular election.

(d) **Notice of Elections.** At least 30 days published notice shall be given of a regular or special election.

(e) **Canvassing Returns - Certificates of Election.** The Assembly shall canvass the returns of all municipal elections, regular and special, and shall ascertain and declare the results thereof, provided that the Assembly may delegate this function to a board created by ordinance. The Clerk shall promptly prepare, sign, and issue certificates of election, sealed with the seal of the Municipality, to all persons elected to office.

(f) **Laws Governing Elections.** The provisions of law applicable to municipal elections shall govern elections of this Municipality insofar as they are not superseded by this Charter or by ordinance.

(g) **Nominations.** Candidates for elective office shall be nominated by a petition signed by at least twenty (20) qualified voters of the Municipality. No nominating petition may be accepted unless accompanied by a signed acceptance of the nomination.

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**ARTICLE VI: INITIATIVE, REFERENDUM AND RECALL**

**Section 6.01 Initiative and referendum.**

The powers of initiative and referendum concerning laws and resolutions of the municipality are reserved to the voters of the municipality. The powers of initiative and referendum shall not apply to administrative matters, matters unenforceable by law, or matters restricted by Article XI, Section 7, of the State constitution.

**Section 6.02 Application for petition.**

(a) An initiative or a referendum is proposed by filing an application with the Municipal Clerk containing the ordinance or resolution to be initiated or referred. Each application shall include only a single subject. The application shall contain the name and address of a contact person and an alternate to whom all correspondence relating to the petition may be sent. An application shall be signed by at least ten residents of the municipality at least 18 years of age who will sponsor the petition. An additional sponsor may be added at any time before the petition is filed by submitting the name of the sponsor to the Clerk. Within twenty (20) days the Clerk shall certify the application if the Clerk finds that it is in proper form and complies with Charter Section 6.01 and this section.

(b) A decision by the Clerk on an application for petition is subject to judicial review.

**Section 6.03 Contents of petition.**

(a) Within two weeks after certification of an application for an initiative or a referendum petition, a petition shall be prepared by the Municipal Clerk. Each copy of the petition must contain:

- (1) a summary of the ordinance or resolution to be initiated or referred;
- (2) the complete ordinance or resolution sought to be initiated or referred as submitted by the sponsors;
- (3) the date on which the petition is issued by the Clerk;
- (4) notice that signatures must be secured within ninety days after the date the petition is issued;
- (5) spaces for each signature, the printed name of each signer, the date each signature is affixed, the residence and mailing addresses of each signer; and an identifier consisting of date of birth, voter identification number or last four digits of the signer’s social security number;
- (6) a statement, with space for the sponsor’s sworn signature and date of signing, that the sponsor personally circulated the petition, that all signatures

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were affixed in the presence of the sponsor, and that the sponsor believes the signatures to be those of the persons whose names they purport to be; and

- (7) space for indicating the total number of signatures on the petition.
- (b) If a petition consists of more than one page, each page must contain the summary of the ordinance or resolution to be initiated or referred.
- (c) The Clerk shall notify the contact person and alternate in writing by certified mail when the petition is available. The contact person or alternate must notify sponsors. Copies of the petition shall be provided by the Clerk to each sponsor who appears in the Clerk’s office and requests a petition, and the Clerk shall mail the petition to each sponsor who requests that the petition be mailed.

Section 6.04 Signature requirements

- (a) The signatures on an initiative or a referendum petition shall be secured within ninety days after the date of mailing of the notice under Section 6.03(c) that the petition is available. The statement provided under Section 6.03(a)(6) shall be signed and dated by the sponsor. Signatures shall be in ink or indelible pencil.
- (b) The Clerk shall determine the number of signatures required on a petition and inform the contact person and alternate in writing. Except as provided in (e) of this section, a petition shall be signed by a number of qualified voters equal to at least twenty percent of the votes cast at the last regular election held before the date written notice is given to the contact person and alternate that the petition is available.
- (c) Illegible signatures shall be rejected by the Clerk unless accompanied by a legible printed name. Signatures not accompanied by a legible residence address shall be rejected.
- (d) A petition signer may withdraw the signer’s signature on written application to the Clerk before certification of the petition.
- (e) If the ordinance or resolution that is the subject of an initiative or a referendum petition affects only an area that is less than the entire area of the municipality, only qualified voters residing in the affected area may sign the petition. The petition shall be signed by a number of qualified voters equal to at least twenty percent of the votes cast in that area at the last regular election held before the date written notice is given to the contract person and alternate that the petition

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Section 6.05 Sufficiency of petition.

(a) All copies of an initiative or a referendum petition shall be assembled and filed as a single instrument, subject to (b) of this section. Within ten days after the date the petition is filed, the municipal Clerk shall:

- (1) certify on the petition whether it is sufficient; and
- (2) if the petition is insufficient, identify the insufficiency and notify the contact person and alternate by certified mail.

(b) A petition that is insufficient may be supplemented with additional signatures obtained and filed before the eleventh day after the date of mailing of the notice of insufficiency and rejection of the petition.

(c) A petition that is insufficient shall be rejected and filed as a public record unless it is supplemented under (b) of this section. Within ten days after a supplementary filing the Clerk shall re-certify the petition. If it is still insufficient, the petition is rejected and filed as a public record.

Section 6.06 Protest.

If the municipal Clerk certifies that an initiative or a referendum petition is insufficient, a signer of the petition may file a protest with the mayor within seven days after the certification. The mayor shall present the protest at the next regular meeting of the Assembly. The Assembly shall hear and decide the protest.

Section 6.07 New petition.

Failure to secure sufficient signatures does not preclude the filing of a new initiative or referendum petition. However, an application for a new petition on substantially the same matter may not be filed sooner than six months after a petition is rejected as insufficient.

Section 6.08 Initiative election.

(a) Unless substantially the same measure is adopted, when a petition seeks an initiative vote the Clerk shall submit the matter to the voters at the next regular or special election occurring no sooner than sixty days after certification of the petition. If no regular election occurs within seventy-five days after the certification of a petition, the Assembly may call a special election not sooner than sixty days after certification.

(b) If the Assembly adopts substantially the same measure, the petition is void, and the

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matter initiated may not be placed before the voters.

(c) The ordinance or resolution initiated shall be published in full in the notice of election, but may be summarized on the ballot to indicate clearly the proposal submitted. The ballot summary shall be stated in the affirmative so that a yes vote will always mean that the voter approves of the affirmative of the ballot summary; and a no vote disapproves the affirmative statement of the ballot summary.

(d) If a majority vote favors the ordinance or resolution, it becomes effective upon certification of the election, unless a different effective date is provided in the ordinance or resolution.

Section 6.09 Referendum election.

(a) Unless the ordinance or resolution is repealed, when a petition seeks a referendum vote, the Clerk shall submit the matter to the voters at the next regular or special election occurring no sooner than sixty days after certification of the petition. If no regular election is scheduled to occur within seventy-five days of certification of a petition, the Assembly may call a special election not sooner than sixty days after certification.

(b) The ordinance or resolution against which the petition is filed shall be suspended pending certification of the referendum vote if either: 1) a petition is certified before the effective date of the matter referred; or 2) the petition is certified after the effective date of the matter referred, but the Assembly does not place the issue before the voters at a regular or special election within seventy-five days of certification of a petition. During the period of suspension, the Assembly may not enact an ordinance or resolution substantially similar to the suspended measure.

(c) If the Assembly repeals the ordinance or resolution before the referendum election, the petition is void and the matter referred shall not be placed before the voters.

(d) If a majority vote favors the repeal of the matter referred, it is repealed. Otherwise, the matter referred remains in effect or, if it has been suspended, becomes effective on certification of the election.

Section 6.10 Effect.

(a) The Assembly may not, within two years after the effective date, repeal an ordinance or resolution that has been adopted in an initiative election or adopted after a petition that contains substantially the same measure has been filed, but may at any time pass by a two-thirds vote an ordinance or resolution amending it.

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(b) If an ordinance or resolution is repealed in a referendum election or by the Assembly after a petition that contains substantially the same measure has been filed, substantially similar legislation may not be enacted by the Assembly for a period of two years.

(c) If an initiative or a referendum measure fails to receive voter approval, a new application for petition for substantially the same measure may not be filed sooner than six months after the election results are certified.

(d) If two or more initiated or referred ordinances that have conflicting provisions are enacted or approved at the same election, the one receiving the largest affirmative vote shall prevail.

Section 6.11 Further regulation by ordinance.

The Assembly, by ordinance, may further regulate the procedures for the initiative and referendum.

Section 6.12 Recall

All incumbents of elective offices of the municipality, including persons chosen to fill vacancies in such offices, shall be subject to recall from office by the qualified voters of the municipality. Procedures and grounds for recall shall be such as prescribed by law. The Assembly, by ordinance, may further regulate the recall insofar as such regulation is not in conflict with the State constitution or law.

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**ARTICLE VII: PLANNING**

**Section 7.01 Planning Commission.**

- (a) **Membership and Term.** There shall be a Planning Commission consisting of seven members who shall be appointed by the Assembly from among the qualified voters of the Municipality and who shall serve for terms of three (3) years unless removed by the Assembly for cause. Members shall hold no other municipal office.
  
- (b) **Powers and Duties.** The powers and duties of the Planning Commission shall be established by an ordinance approved by the Assembly.

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**ARTICLE VIII MUNICIPAL UTILITIES**

**Section 8.01 Municipal Utilities.**

The electric, telephone, and water services previously owned and operated by the City of Ketchikan d/b/a Ketchikan Public Utilities are municipal utilities and shall be operated in a business-like manner in accordance with this Article and other applicable provisions of this Charter provided, however, that the Assembly may, by ordinance, remove water service from the municipal utilities governed under this Article. Except as limited by this Charter or by other applicable law, the Assembly may designate other utilities as municipal utilities to be operated in the same manner as the electric, telephone, and water utilities. Water service areas shall not be considered to be municipal utilities under this Article unless both terminated as provided for in Section 12.04(e) of this Charter and designated by the Assembly as municipal utilities. The Assembly may, under Section 12.06(b) of this Charter, delegate to the municipal utility the supervision of water service areas.

**Section 8.02 Management.**

- (a) **Powers.** The Assembly shall exercise all powers necessary or convenient for the management, operation, regulation, and use of the municipal utilities unless, by ordinance, it creates a municipal utility board appointed by the mayor and confirmed by the Assembly and delegates to such board some or all such powers except those powers designated in (c) below.
- (b) **General Manager.** The Assembly or municipal utility board may appoint a general manager who shall serve at the Assembly or board's pleasure. The general manager may be delegated such duties and responsibilities for the municipal utilities as the Assembly or board may determine.
- (c) **Acts Requiring Assembly Approval.** The following acts may not be delegated by the Assembly and shall not become effective until approved by the Assembly:
  - (1) The adoption of capital and annual budgets in accordance with Section 8.03;
  - (2) The establishment and adjustment of utility rates and charges to customers, unless those rates and charges have been approved by or determined by a state or federal agency having jurisdiction. However, the Assembly may, by ordinance, authorize the general manager or a municipal utility board to establish and adjust rates and charges for goods and services for which a local competitive market exists; and to establish interim rates and charges to be effective until approved or rejected by the Assembly;

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- (3) The issuance of bonds, notes, or other evidence of indebtedness, any encumbrance of utility property, or the creation of any indebtedness;
- (4) The establishment and adjustment of salaries and benefits for utility board members and for employees of the utility who are not represented by a union.

The Assembly may, by ordinance, prescribe that some functions of the municipal utilities, such as finance, personnel, and legal, be provided in part or in whole by municipal departments or be otherwise shared. The Municipality shall be reasonably compensated by the municipal utilities for providing such services to the municipal utilities.

Section 8.03 Utility Budget, Rates, and Borrowing.

(a) **Utility Budget.** The municipal utilities' fiscal year shall run concurrently with the Municipality's fiscal year. Not later than May 1 of each year, a budget for the next fiscal year shall be submitted to the Assembly. Such budget shall include a program of capital expenditures for the year. The budget shall contain detailed estimates of anticipated revenues and proposed expenditures for the year and shall be in such form and have such contents as the Assembly may require. Each Utility division (electric, telephone, and water) shall be financially described as a separate business entity prior to preparation of a consolidated financial statement. Any accounting transfers to other utility divisions or subsidies shall be specifically noted. Proposed expenditures shall not exceed total estimated revenues, including bond proceeds and reserves. Revenues, other than restricted bond proceeds, from any one of the municipal utilities may be used to pay the expenses of any other municipal utility. In the event that the Assembly does not approve a budget by the beginning of the fiscal year, the Assembly shall adopt an interim budget that maintains rates, expenditures, and appropriations at the same levels as provided in the previous year's budget. The interim budget shall remain in effect until an annual budget has been approved by the Assembly.

(b) **Use of Utility Assets.** Except as provided in this Article, none of the assets, income, or property of the municipal utilities shall be placed in the Municipality's general fund or used for any purpose other than for the municipal utilities unless reasonable compensation is received by the municipal utilities.

(c) **Lapse of Appropriations.** At the close of the fiscal year, an unencumbered appropriation shall lapse into the fund from which appropriated. An appropriation for capital improvements, or in connection with requirements of federal and state grants, shall not lapse until the purpose of the appropriation has been accomplished or abandoned.

(d) **Borrowing.** Except as otherwise provided in this subsection, the municipal utilities

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may borrow money and issue bonds or other evidences of indebtedness in the manner provided by Article XI. No borrowing and no issuance of bonds or other evidence of indebtedness for the municipal utilities shall occur unless approved by the Assembly and, to the extent required under Article XI, a majority of the qualified voters of the Municipality who vote on the question of approving the borrowing, bonds, or other evidences of indebtedness.

(e) **Payment in Lieu of Taxes.** The Assembly may require the municipal utilities to annually pay to the Municipality an amount reasonably estimated to be not more than the amount that said utilities would pay in taxes, assessments, or charges if subject to all such taxes, assessments, or charges.

(f) **Audit.** An annual independent audit of all municipal utility accounts shall be performed as required by Section 10.14.

(g) **Sale of Municipal Utility.** The municipally owned electric, telephone, or water services may not be sold or leased except by authority of an ordinance approved or enacted at an election by an affirmative vote of a majority of the qualified voters of the Municipality who vote on the question of approving the ordinance.

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**ARTICLE IX EDUCATION**

**Section 9.01 Public School System.**

There shall be a system of public education for the Municipality as prescribed by Alaska statutes. It shall be operated by a school board of seven persons elected at large.

**Section 9.02 Membership, Qualification, and Term.**

A candidate for school board shall be a qualified municipal voter and shall reside in the Municipality. The term of a school board member shall be three years and said terms shall be staggered to allow for the uninterrupted continuation of school board functions. School board terms shall expire in the same sequence as those of the Ketchikan Gateway Borough School Board in office at the time of consolidation. Board members in office at the time of consolidation may continue to hold office until expiration of the term for which they were elected.

The Assembly may provide that ordinances generally applicable to municipal officials, including provisions regarding open meetings, public records, and conflicts of interest apply to school board members. The provisions of this Charter applicable to elected municipal officials apply to school board members to the extent permitted by state law.

**Section 9.03 Powers and Duties of the School Board.**

The school board shall have all the powers and duties provided by Title XIV, Alaska Statutes, including, but not limited:

- (a) Formulate policy for the operation of the schools;
- (b) Appoint, promote, demote, suspend, remove all school personnel, including the superintendent;
- (c) Generally supervise school district fiscal affairs, including preparation and submission of the annual budget and six-year plan.

**Section 9.04 Joint Meetings**

The Assembly and school board shall meet at least once yearly in public session to discuss and coordinate financial planning, capital improvement needs, comprehensive plans for education, and other matters of concern.

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**Section 9.05 Budget and Six-Year Plan**

(a) The Superintendent of Schools shall submit to the school board at such time as the board directs a proposed budget for the next fiscal year and a proposed six-year program for capital improvements and fiscal policies. The board shall hold at least two public hearings on the proposed budget before it is submitted to the Assembly, and at least one public hearing after Assembly action if the total amount is different. The proposed budget and program shall be approved and submitted to the Assembly by May 1st or as otherwise required by law.

(b) The Assembly may increase or decrease the budget of the school district only as to total amount. The school district will not spend or encumber any monies based on initial state foundation allocations and/or initial Assembly allocations without prior Assembly approval. The school district will submit any changes to its budget due to grant award monies biennially to the Assembly.

(c) The Assembly shall determine the total amount of the budget of the school district and appropriate the necessary funds before May 31 or such other deadline as required by law. If the Assembly fails to determine the total amount of the school district budget and make the necessary appropriation within the time stated, the budget proposal shall become the budget and appropriation for the fiscal year of the school district without further Assembly action.

(d) The school board shall make recommendations to the assembly concerning the necessity for school construction and other capital improvements, site selection, employment of architects, and building plans. Decisions by the Assembly shall be final in matters concerning school construction and other capital improvements, site selection, employment of architects, and building plans.

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**ARTICLE X FINANCE**

**Section 10.01 Fiscal Year.**

The fiscal year of the Municipality shall begin on the first day of July and shall end on the last day of June, unless otherwise provided by ordinance.

**Section 10.02 Budget**

(a) At least 60 days before the beginning of the fiscal year, the manager shall prepare and submit to the Assembly a proposed budget for the next fiscal year that shall contain detailed estimates of anticipated revenues and proposed expenditures for the year. Such budget shall include a program of capital expenditures for the year. The total of such proposed expenditures shall not exceed the total of anticipated revenues, including bond proceeds, and reserves. The budget shall be in such form and have such contents as the Assembly may require. The budget shall be approved as provided for in this Charter. The Assembly may adopt, by ordinance, a two-year budget.

(b) The budget and any budget message accompanying it shall be a public record in the office of the Municipal Clerk and shall be open to the public. Sufficient copies of the budget and any budget message shall be made for distribution to persons on request.

(c) The Assembly shall hold a public hearing on the proposed budget at least one week after notice of the time of the hearing has been published; and any interested person shall have an opportunity to be heard for or against the estimates or any item thereof. The Assembly may continue the hearing at later meetings.

(d) The Assembly may amend the budget and shall approve the budget, by ordinance or resolution, not later than the third day before the beginning of the fiscal year. If the Assembly fails to adopt the budget and make the appropriations on or before that day, the budget as submitted or as amended shall go into effect and be deemed to be finally adopted by the Assembly and the expenditures shall become the appropriations for the next fiscal year. The appropriations, when made by the Assembly by resolution or ordinance separate from the budget document, need not be in as great detail as the proposed expenditures in the budget.

(e) The budget shall include budgets for the general fund, and for other funds that are deemed to require formal budgeting.

**Section 10.03 Supplemental and Emergency Appropriations**

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(a) If during any fiscal year there are available revenues received from sources not anticipated in the budget for that year or revenues received in excess of budget estimates, the Assembly by ordinance may make supplemental appropriations for the year up to the amount of the additional revenues.

(b) Upon declaration by the Assembly that a public emergency exists and describing the emergency in clear and specific terms, the Assembly may make emergency appropriations. Such appropriations may be made by resolution and shall be approved by a unanimous vote of all Assembly members present at a meeting attended by a quorum of Assembly members. If there are no available funds to meet such appropriations, the Assembly by resolution may authorize the issuance of emergency notes. These notes shall be paid not later than the last day of the fiscal year following that in which the emergency appropriation was made.

**Section 10.04 Taxation: Powers.**

The Municipality shall have all powers of taxation that home rule boroughs may have under the State constitution and law.

**Section 10.05 Taxation: Sales and Use Taxes; Ratification of Sales or Use Tax Rate Increases.**

(a) The Municipality may, by ordinance, levy sales or use taxes on an areawide basis, a nonareawide basis, and a service area basis.

**Section 10.06 Taxation: Assessment, Levy and Collection of Property Taxes -- Exemptions.**

The Municipality shall provide for the annual assessment, levy, and collection of taxes on property. No exemptions from taxation except those expressly provided by law or ordinance shall be allowed.

**Section 10.07 Property Tax Limit**

The areawide property tax levy shall not exceed one (1%) percent (10 mills) of the assessed valuation of the property to be taxed. The voters may raise this limit by an affirmative vote of the majority of the voters participating in a special or regular election. This section shall not in any way limit the ability of the Municipality to meet its bonded obligations and in no event shall the property tax levy during a year exceed three percent (thirty mills) of the assessed value of the property in the Municipality.

**Section 10.08 Taxation: Supermajority Requirement to Raise Taxes or Fees**



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**Limit**

Any ordinance or resolution that will increase fees, sales tax levies or property tax levies on an areawide, nonareawide or service area basis shall require the affirmative vote of two-thirds (2/3) of the Assembly or be approved by a majority of the qualified voters who vote on the ordinance or resolution at a general or special election. If the increase in the rate of levy of the general sales tax, use tax or fee is limited to a service area or is nonareawide, the vote is limited to those qualified to vote in that area.

**Section 10.09 Taxation: Private Interests in Public Property and Payments in Lieu of Taxation**

(a) **Taxation of Private Interests.** Private leaseholds, contracts, or interests in land or property owned or held by the United States, the state, or its political subdivisions shall be taxable to the extent of the private interests.

(b) **Port Payments in Lieu of Taxation.** The Assembly may require the municipally-owned port to annually pay to the Municipality a payment in lieu of taxes.

**Section 10.10 Taxation: Assessment -- Equalization.**

The taxable status of property shall, for purposes of property taxes, be determined as of the first day of January, or such other date as may hereafter be prescribed by law, which is called the assessment day. Values on the assessment rolls shall be determined by the full and true value according to the facts existing on the assessment day for the year for which the assessment is made, and no change in the status of property after that day shall be considered in determining its value. In determining such values, any standards of appraisal established by law or ordinance shall be followed. The Assembly, acting as the Board of Equalization, shall equalize valuations of property assessed; provided that the Assembly, by ordinance, may delegate this power to a board created by ordinance when not prohibited by law.

**Section 10.11 Taxation: Lien on Real Property.**

The Municipality shall have a first lien on all real property and personal property against which municipal taxes are assessed, for the taxes and any collection charges, penalties, and interest that may accumulate thereto; and the lien shall continue until the taxes and any such charges, penalties, and interest are paid.

**Section 10.12 Taxation: Protection of Lien on Property.**

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The Municipality may protect its lien for taxes on real property by sale at tax sale, or by purchasing the real property at any tax sale or other public sale, or by direct negotiation with the owner, or in any other legal manner. Any such procedure shall be deemed to be for a public purpose. When the Municipality has acquired an interest in real property to protect a tax lien thereon, the owner of any interest in such real property may, within such time as provided by law, redeem the same by paying the delinquent municipal taxes and all accrued charges, penalties, and interest thereon, as provided by law or ordinance. After the Municipality has held any tax-delinquent real property for such time as required by law, it may hold the same for public use or may sell it as provided by state law.

Municipal taxes on personal property shall be a debt to the Municipality from the persons to whom they are assessed. If any person to whom such taxes are assessed fails or refuses to pay the taxes, such taxes and accrued charges, penalties, and interest may be collected by a personal action in the name of the Municipality against the person to whom assessed in a court of competent jurisdiction, or by distraint and sale of any personal property of the person assessed. Neither of the remedies herein given shall be exclusive of the other or of any remedy provided by law.

### **Section 10.13 Disbursements: Authority - Method.**

Disbursements of municipal funds shall be made only in accordance with appropriations made as provided in this Charter, or, in case of funds which are not formally appropriated, then by authority granted by the Assembly or by the qualified voters of the Municipality. The Assembly shall prescribe the method or methods of disbursing municipal funds.

### **Section 10.14 Lapse of Appropriations.**

At the close of the fiscal year, an unencumbered appropriation shall lapse into the fund from which appropriated. An appropriation for capital improvements, or in connection with requirements of federal or state grants, shall not lapse until the purpose of the appropriation has been accomplished or abandoned.

### **Section 10.15 Annual Audit.**

The Assembly shall provide for an annual independent audit of all Municipality and municipal utility accounts. The audit shall be performed by a certified public accountant designated by the Assembly and shall be completed within 180 days following the close of the fiscal year.

### **Section 10.16 Deposit and Investments of Funds.**

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The Assembly shall regulate the deposit and investment of municipal funds, and shall determine what funds of the Municipality may be invested. Municipal funds may be invested only in the following: General-obligation bonds and other general-obligation evidences of indebtedness of the United States, of the State of Alaska, of other states of the United States, of this Municipality, and of other municipalities of this state; and such other securities as may be authorized by ordinance.

**Section 10.17 Purchases and Sales.**

The Assembly shall, by ordinance, establish procedures for purchases and sales. Such procedures may include procedures for competitive bidding to the extent and subject to such exceptions established by the Assembly.

**Section 10.18 Public Improvements.**

Public improvements, including local improvements, may be made by the municipal government itself or by contract. Except as provided in Section 8.02(a) or as otherwise provided by law, the Assembly shall award all contracts for such improvements; provided that the Assembly may, by ordinance, authorize the municipal manager or other authority to award such contracts not exceeding an amount to be determined by the Assembly and subject to such regulations as the Assembly may, by ordinance, prescribe. The Assembly may, by ordinance, establish regulations and procedures for competitive bidding or solicitations of quotations and awards of contracts and providing for rejection of all bids, bid protests, and project claims.

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**ARTICLE XI -- BORROWING**

**Section 11.01 General-Obligation Bonds, and Revenue Bonds.**

(a) **Power to Borrow.** The Municipality shall have power to borrow money and to issue its general-obligation bonds, revenue bonds, or other such evidences of indebtedness therefore, but only when authorized by the Assembly for capital improvements and ratified at an election by a majority of those qualified to vote and voting on the question.

(b) **Areawide, Nonareawide, and Service Area Indebtedness.** The Municipality may incur indebtedness:

- (1) On an areawide basis when exercising powers on an areawide basis;
- (2) On a service area basis when exercising powers through a service area;
- (3) On a nonareawide basis when exercising powers on a nonareawide basis.

Indebtedness incurred on a service area basis shall be repaid from revenues and taxes received from the service area and indebtedness incurred on a nonareawide basis shall be repaid from revenues and taxes received from the affected area. The full faith and credit of the Municipality may, however, be pledged to guarantee repayment of indebtedness incurred on a service area basis or on a nonareawide basis if the indebtedness has been approved as required by this subsection. If the indebtedness is incurred for the exercise of areawide powers, the election approving the indebtedness shall be areawide. If the indebtedness is incurred on a service area basis and is to be repaid solely from revenues and taxes received from the service area, the election approving the indebtedness shall be among the voters of the service area. If the indebtedness is incurred on a nonareawide basis and is to be repaid solely from revenues and taxes received from the affected area, the election approving the indebtedness shall be among the voters of the affected area. If the full faith and credit of the entire Municipality is pledged for the payment of indebtedness incurred on a service area or nonareawide basis, then the indebtedness must be approved on an areawide and on a service area or nonareawide basis.

(c) General-obligation evidences of indebtedness may also be secured by revenues from a revenue-producing utility or enterprise when they are issued for the acquisition, construction, reconstruction, repair, improvement, extension, enlargement, and/or equipment of the said utility or enterprise, and/or by other designated funds or revenues specifically pledged for payment of principal and interest thereon. Capital improvements as used hereinabove may also include a part of all of the Municipality's share of the cost of public improvement of which a part is to be paid by benefitted property. Bond anticipation notes may be issued following bond issue approval, and pending sale of the bonds.

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(d) The requirement for ratification does not apply to borrowing money to meet appropriations for a particular fiscal year, nor to indebtedness to be paid from special assessments to be made on benefitted property, nor to refunding indebtedness.

**Section 11.02 Notice of Bond Indebtedness.**

(a) Before holding any election required by this article, the Assembly shall cause a notice of bond indebtedness to be published once a week for three consecutive weeks in a newspaper of general circulation in the Municipality. The first publication shall be at least twenty (20) days prior to the date of election. For elections approving the issuance of general-obligation bonds or revenue bonds the notice shall contain the following information:

- (1) The amount of the bonds, purposes of issuance, and length of time within which the bonds shall mature;
- (2) The amount of the estimated annual debt service on the proposed bonds based upon an estimate of the anticipated interest rate;
- (3) The amount of the current total general obligation indebtedness of the Municipality including authorized but unsold bonds;
- (4) The amount of the current year's debt service on the outstanding bonds of the Municipality;
- (5) The current total assessed valuation within the Municipality.

(b) For bonds secured by a pledge of taxes to be levied in a service area or on a non-areawide basis, the notice shall also contain the information required in (3), (4), and (5) relative to the service area or other area. For bonds secured by a pledge of the municipal utilities' revenues, the notice shall contain the information required in (3) and (4) relative to the affected municipal utilities.

(c) Omissions of information required by (2), (3), and (4) or errors in such information shall not invalidate any election.

**Section 11.03 Borrowing to Meet Appropriations.**

The Municipality shall have power to borrow money to meet appropriations for any fiscal year in anticipation of the collection of revenues for that year, when authorized by the Assembly, and without submitting the question to the voters. The total of such indebtedness shall never exceed 25% of anticipated revenues of that year. All debts so contracted shall be paid before the end of the next fiscal year.

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**Section 11.04 Revenue Bonds and Borrowing.**

The Municipality shall have power to borrow money and to issue revenue bonds or other such evidences of indebtedness therefore, the principal and interest of which are payable solely out of, and the only security of which is, the revenues of a revenue-producing municipal utility or enterprise; but only when authorized by the Assembly and ratified by the voters for the acquisition, construction, reconstruction, repair, improvement, extension, enlargement, and/or equipment of the said utility or enterprise, for refunding or for purposes authorized by Section 11.03 of this Charter. Bond anticipation notes may be issued following the ratification of a bond issue and pending sale of the bonds.

**Section 11.05 Economic Development Financing**

The Municipality may enact ordinances authorizing the issuance of non-recourse revenue bonds or other non-recourse revenue obligations and the application of the proceeds thereof for economic development purposes, subject to the following limitations:

- (a) Non-recourse revenue bonds and other non-recourse revenue obligations issued pursuant to this section shall be payable only from money or other property received as a result of projects financed by the non-recourse revenue bonds, or other non-recourse revenue obligations, and from money or other property received from private sources.
- (b) Non-recourse revenue bonds and other non-recourse revenue obligations issued pursuant this section shall not be payable from, or secured by, any municipal assets, tax funds, or governmental revenue, or by all or part of the faith and credit of the Municipality.
- (c) Non-recourse revenue bonds or other non-recourse revenue obligations may only be used to finance economic development projects, as defined by ordinance.

The restrictions of Articles VIII, X, and XI of this Charter shall not be construed as limitations upon the authority granted by this section. Non-recourse bonds and other non-recourse revenue obligations may be issued pursuant to this section without ratification at an election.

**Section 11.06 Unexpended and Unencumbered Balances.**

Every bond or other evidence of indebtedness shall contain a statement of the purpose for which it is issued, and the proceeds thereof shall not be used for any other purpose, except that, whenever any proceeds of an issue remain unexpended and unencumbered for the purpose for which issued, the Assembly shall authorize the use of such unexpended and unencumbered funds only for the following purposes, which are listed in descending

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order of priority:

- (a) For the retirement of such issue;
- (b) If such issue has been fully retired, then for the retirement of other bonds or obligations issued on the same areawide, service area, or nonareawide basis;
- (c) If there are no such other bonds or obligations of the Assembly outstanding, then for any purpose related to the same areawide, service area, or nonareawide purpose.

**Section 11.07 Voiding Authorization of Bonds.**

The Assembly, by resolution or ordinance, may void the authorization of any unsold bonds or other evidences of indebtedness at any time. Every obligation shall be sold within the ten years following the adoption of the ordinance authorizing its issuance or the ratification of such issuance by the qualified voters of the Municipality, whichever is later, except when such sale has been delayed by an action to determine the validity of the proceedings authorizing the issuance of such obligations, in which case the period of such delay may be added to the said ten years. Authorization of obligations not sold within the time limits provided shall lapse unless otherwise voided at an earlier date by the Assembly.

**Section 11.08 Assembly to Have Power to Regulate.**

The Assembly shall have power to regulate the indebtedness of the Municipality and the issuance of bonds and other evidences of indebtedness, regardless of type or purpose, including general-obligation, revenue, special-assessment, refunding, and other, subject only to the limitations imposed by the state constitution and law and this Charter.

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ARTICLE XII AREAWIDE, NONAREAWIDE AND SERVICE AREA POWERS

Section 12.01 Areawide, Nonareawide, and Service Area Powers.

Except as otherwise required by this Charter or by applicable State law, all powers of the Municipality may be exercised on an areawide, nonareawide or service area basis, or other basis.

Section 12.02 Mandatory Areawide Powers.

In addition to all other powers that the Municipality may exercise on an areawide basis, the following powers shall be exercised on an areawide basis:

- (a) The power to dispose of solid waste. The power to operate, maintain, monitor, remediate, repair, or remove landfills, including those previously owned or operated by the City of Ketchikan;
- (b) The power to provide public libraries, civic centers, museums, and associated services;
- (c) The power to provide for hospital and public health services, including substance abuse and mental health. (The power to provide emergency medical services shall be exercised as provided in Section 12.03);
- (d) The power to provide public parks and recreation facilities and to provide recreational activities;
- (e) The power to provide port and harbor facilities and services;
- (f) The power to provide cemetery and mausoleum services;
- (g) The power to provide 911 emergency dispatch services;
- (h) The power to provide public transportation systems, including, but not limited to, airports (including airport police, firefighting, and other auxiliary services), and public mass transit;
- (i) The power to provide animal control;
- (j) The power to provide economic development; and

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(k) The power to provide disaster planning, emergency communications and emergency response.

Section 12.03 Services Provided by Service Area

(a) The following powers shall be exercised only through service areas:

- (1) The establishment and operation of police departments, the hiring of police officers, or the contracting for the services of police officers;
- (2) The establishment and operation of Fire and Emergency Medical Services departments;
- (3) The collection, but not disposal, of solid waste
- (4) Street construction and maintenance; and
- (5) Building Code enforcement.

However, nothing in this Charter prohibits the Municipality from providing police, firefighting, solid waste collection, or other auxiliary functions to the exercise of an authorized areawide power at areawide expense when necessary to operate facilities used for areawide services; or to respond to a disaster as defined by State law.

Nothing in this Charter, except Section 12.02, prohibits the Municipality from exercising any other power on a nonareawide basis or through service areas. No areawide power shall be interpreted to include or authorize any of the powers described in (1) through (5) above.

(b) Until otherwise changed, that area described in the consolidation petition as the Gateway Service Area shall be a service area for each and all of the powers described in (a)(1)-(5). All service areas in existence on the date this Charter becomes effective shall continue in effect until such time as changed as provided in this Article and the Municipality shall exercise the same powers within those service areas as were exercised by the former Ketchikan Gateway Borough. By consolidation petition is meant that petition filed by the Ketchikan Gateway Borough for the consolidation of the City of Ketchikan and the Ketchikan Gateway Borough with all exhibits and amendments.

Section 12.04 Creation, Expansion, Reduction, Consolidation, Alteration, and Termination of Service Areas.

(a) **Creation of Service Areas.** The Assembly may create new service areas only by an ordinance that describes the boundaries of the service area and the powers to be exercised therein and which is either:

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- (1) Approved by a majority of the voters residing within the proposed new service area; or
- (2) Consented to in writing by all of the owners of real property within the boundaries of the proposed service area if no voters reside in the proposed service area.

If, within the previous two (2) years, any part of the service area to be created was part of a service area that provided similar services, the vote to approve creation of the new service area will require the approval of both a majority of the voters in that area that previously received the services and in that area that did not.

(b) **Expansions or Reductions of Service Areas.** The boundaries of a service area may only be expanded or reduced by an ordinance adopted by the Assembly that describes the proposed new boundaries of the service area and the powers to be exercised therein and which is approved by both:

- (1) A majority of the voters residing within the boundaries of the existing service area or, in the case of a reduction, a majority of the voters who will remain within the boundaries of the service area after the reduction; and
- (2) A majority of the voters residing in the area that will be added to or subtracted from the existing service area or, if no voters reside within that area, by written consent of all owners of real property within the area that will be added to or subtracted from the existing service area.

(c) **Consolidation of Service Areas.** Service areas may be consolidated for any or all of the services provided by each service area. Such consolidation shall be by an ordinance adopted by the Assembly and approved by a majority of the voters residing in each of the service areas to be consolidated.

(d) **Expansion or Reduction of Powers.** When a service area has been established for the exercise of one or more powers, the Municipality may exercise additional service area powers in that service area or reduce the service area powers exercised in that service area only by an ordinance adopted by the Assembly and approved by a majority of the voters residing within the service area. But any power, other than those listed in Section 12.02, that was previously exercised by the City of Ketchikan may, without approval of the voters, be exercised by the Municipality on a nonareawide basis within the Gateway Service Area.

(e) **Termination.** Any service area may be terminated only by an ordinance adopted by the Assembly that describes the boundaries of the service area and the services to be

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terminated and which is either:

- (1) Approved by a majority of the voters residing within the service area to be terminated; or
- (2) Consented to in writing by all of the owners of real property within the boundaries of the service area to be terminated, if no voters reside in the service area.

Except for terminations under 12.04(f), the ordinance shall provide for the disposition of the service area's assets and shall provide for payment of the service area's indebtedness and ongoing operational and maintenance expenses from revenues obtained from the service area.

(f) **Sanitary Sewage Service Areas.** The provisions of this Section 12.04 and Subsection 12.06(c) shall not apply to sanitary sewage services. The Assembly may by ordinance and without voter approval exercise sanitary sewage service powers on an areawide basis, service area basis, or a nonareawide basis in such manner as it determines. The ordinance may designate sanitary sewage services as municipal utilities under Section 8.01. The term sanitary sewage services means any collection, transport, treatment, or disposal of human waste.

(g) **Majority of Voters.** For purposes of this section the term "majority of the voters" shall mean a majority of the qualified voters casting a ballot on the proposition at a general or special election.

Section 12.05 Criteria for Establishing Service Areas.

Service areas shall be established according to criteria of need and economic operating efficiency and shall comprise the area to which the services shall be provided. A new service area shall be established only after Assembly determination that such services cannot be reasonably provided by an existing service area or by alteration of an existing service area. Nothing in this section will be interpreted to permit the establishment of a service area in any other manner than as provided for elsewhere in this Charter.

Section 12.06 Financing and Management.

(a) **Service Area Taxes.** The Assembly may levy taxes, assessments, payments in lieu of taxes, and other charges within a service area to pay for costs of that service area. Sales taxes on the sale of goods and services may be levied for service area purposes to the fullest extent allowed by law.

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(b) **Supervision of Service Areas.** The Assembly may provide for an appointed or elected board to supervise the furnishing of services in a service area or may exercise such supervision by itself. The Assembly or board shall determine the cost and levels of service, the means, methods, and facilities for providing the service and all requirements for receiving the service.

(c) **Use of Property and Assets of a Service Area.** Except as provided in this subsection, funds raised by service area taxes, assessments, and charges shall not be used for any purpose other than to pay for costs of the service area. Unless a service area is terminated or consolidated, the revenues, equipment, property, personnel, and assets acquired or employed for that service area shall not be used to provide services outside of the service area. With the approval of the Assembly, any service area may participate in joint ventures, sharing of revenues, equipment, property, personnel, and assets, mutual assistance, and other cooperative arrangements provided that such service area is reasonably compensated in proportion to the revenues, equipment, property, personnel, and assets it contributes. Reasonable compensation may be in the form of services, money, future obligations, or other forms determined by the Assembly.

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ARTICLE XIII SAXMAN

The Municipality shall take no action to initiate or support the dissolution, merger, or consolidation of the City of Saxman. Within its boundaries as of the date of consolidation the City of Saxman may, to the extent permitted by law, exercise those powers that it exercised prior to consolidation, even though the Municipality exercises those same powers. Until otherwise provided by law, the City of Saxman shall continue to receive such areawide municipal services as it previously received from the Ketchikan Gateway Borough and services under this Charter or authorized by the Assembly pursuant to law. This Article does not exempt persons living in Saxman from taxes or charges levied to provide areawide services.

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ARTICLE XIV LOCAL IMPROVEMENT AND SERVICE DISTRICTS

Section 14.01 Purpose.

Subject to this Charter's limitations on the exercise of areawide and service area powers, the Municipality shall have the power to make public improvements, including local improvements and to provide local services, within the Municipality.

To the extent otherwise permitted by this Charter and other law, the cost of a public improvement and local services may be paid wholly by the Municipality, or partly by the Municipality and partly by benefitted property, or wholly by benefitted property, as the Assembly may determine. Said cost or part thereof to be borne by benefitted property may be assessed by special assessment upon the benefitted property.

Section 14.02 Local Improvement Procedure.

The Assembly may begin procedures for local improvements either by resolution or upon receipt of a petition. Procedures for local services may begin only upon petition of the owners of a majority of the property, or a majority of the property owners that will be assessed for the local service. The Assembly shall prescribe, by ordinance, special assessment procedures, including re-assessment procedures, for local improvements and local services and for agreements for furnishing local services, capital improvements, and the extension thereof in lieu of assessment.

Section 14.03 Lien for Special Assessments.

The Municipality shall have a first lien upon all real property against which special assessments are assessed, for the special assessments and any collection charges, penalties, and interest which may accumulate thereto; and the lien shall be of the same character, effect, and duration, and shall be enforceable in the same manner, as the lien for municipal taxes.

Section 14.04 All Real Property Liable for Special Assessments.

All real property, including such as is exempt from taxation in accordance with law, shall be liable for the cost of local improvements and local services assessed in accordance with this article unless specifically exempted from special assessments by law. If Municipality property is benefitted by the local improvement or local services, the Assembly may make payments in lieu of the amount that would otherwise be assessed against the property.

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ARTICLE XV CHARTER AMENDMENT

Section 15.01 Proposal.

Amendments to this Charter may be proposed by:

- (a) An ordinance of the Assembly containing the full text of the proposed amendment;
- (b) Report of an elected charter commission created by Assembly ordinance or by initiative ordinance; or
- (c) Initiative petition.

Section 15.02 Election.

Proposed amendments shall be submitted to the qualified voters of the Municipality at the next regular or special election occurring more than seventy (70) days after the adoption of the ordinance, the final report of the charter commission, or certification of the initiative petition. A notice containing the full text of each proposed amendment shall be published.

Section 15.03 Effective Date.

If a majority of the qualified voters voting on a proposed amendment approve the amendment, it shall become effective at the time fixed therein, or if no time is so fixed, thirty days after the certification of the election. If more than one amendment should be proposed, all of them except those which are so interrelated that they should be approved or rejected together, shall be submitted in such manner that the voters may vote on them separately.

Section 15.04 New Charter.

A new charter may be proposed and approved in lieu of this Charter in the same manner as an amendment to this Charter may be proposed and approved, except that the full text of the proposed charter need not be published.

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ARTICLE XVI GENERAL PROVISIONS

Section 16.01 Personal Financial Interest; Nepotism.

(a) **Prohibition.** An elected municipal officer may not participate in any official action in which the officer or a member of the officer's household has a substantial financial interest unless, after disclosure of the interest, the officer's participation is approved in public meeting by a majority of the body. Municipal officials shall publicly disclose their substantial financial interests as required by law. The Assembly, by ordinance, shall adopt procedures dealing with conflicts of interest on the part of municipal employees.

(b) **Punishment.** Any municipal officer, employee, or elected official who conceals such financial interest or willfully violates the requirements of this section shall be guilty of malfeasance in office and shall forfeit his office or employment. Violation of this section with the knowledge, express or implied, of the person contracting with or making a sale to the Municipality shall render the contract or sale to the Municipality void-able by the municipal manager or the Assembly.

(c) Except when chosen solely on the basis of competitive examination administered and graded by persons not employed by the Municipality, the municipal manager, the mayor, the Assembly, and their subordinates or appointees shall not appoint or hire any person to any employment or office who is related to the municipal manager, the mayor, or any assemblymember or to the spouse of the municipal manager, the mayor, or any assemblymember. Except when chosen solely on the basis of competitive examination administered and graded by persons not employed by the municipal utilities, the utilities general manager, the municipal utility board, and their subordinates or appointees shall not appoint or hire to any employment or office any person who is related to the utilities general manager or to any municipal utility board member or to the spouse of the general manager or of any municipal utility board member. For purposes of this subsection a person is considered related to an official or the official's spouse if the person is a parent, spouse, child, sibling, half-sibling, grandparent, grandchild, great grandparent, great grandchild, aunt, uncle, niece, nephew, or is a spouse of any of the above. This subsection shall not prohibit an officer or employee from continuing employment which the officer or employee held prior to becoming a relative or prior to the relative's term of office. This subsection shall not prohibit an officer or employee from being promoted, under applicable personnel rules, from a position held by the officer or employee prior to becoming a relative or prior to the relative's term of office. This subsection shall also not apply if the relative is an independent contractor for goods and services provided that the contract has been awarded or approved as provided in paragraph 2.10(a)(2).

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Section 16.02 Surety Bonds.

The municipal manager, the clerk, the finance officer, and such other officers and employees as the Assembly may designate before entering upon their duties shall be bonded by individual or group bonds for the faithful performance of their respective duties payable to the Municipality in such form and in such amounts as the Assembly may prescribe with a surety company authorized to operate within the state. The Municipality shall pay the premiums on such bonds.

Section 16.03 Oath of Office.

Every officer of the Municipality before entering upon his duties shall take the oath or affirmation required by section 5 of Article XII, Constitution of the State of Alaska. The Assembly may require designated employees to take such oath before entering upon their employment. Oaths of office shall be filed with the clerk.

Section 16.04 Municipal Proceedings.

The Assembly, by ordinance, shall establish procedures governing administrative proceedings in which the legal rights, duties, privileges, or penalties of persons are to be determined; provide for fair and equal treatment of all persons involved in such proceedings; and provide for the conduct of such proceedings in an orderly and uniform manner.

Section 16.05 Ordinances and Resolutions.

Except as otherwise provided by this Charter or by the transition plan, the ordinances and resolutions of local governments to be dissolved shall continue in full force and effect in their respective jurisdictions until expressly reaffirmed, revised, or repealed by the Assembly.

Section 16.06 Pre-Consolidation Assets, Liabilities, Sales Taxes, Reserves and Franchises, and Collective Bargaining Rights

(a) **Assets and Liabilities.** The Municipality shall succeed to all the assets and liabilities of the former City of Ketchikan and of the former Ketchikan Gateway Borough. Bonded indebtedness incurred before consolidation shall remain the obligation of the area that was subject to the debt unless the asset for which the bonded indebtedness was incurred is used for an areawide purpose or is used for the benefit of a larger area, in which case the obligation shall become the obligation of the area benefitted by the asset's use. The obligation to repay revenue bonds issued by the City of Ketchikan d/b/a

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Ketchikan Public Utilities shall not be affected by this Charter.

(b) **Sales and Use Taxes.** All sales and use taxes levied within the former City of Ketchikan and the former Ketchikan Gateway Borough shall remain in effect until changed as provided in this Charter. Within one year from the first election under this Charter, the Assembly shall apply the levy of the former City of Ketchikan's one percent (1%) Hospital and other purposes sales tax on an areawide basis throughout the Municipality, with the revenues from the areawide levy being appropriated for the Municipality. The ratification requirement of Section 10.05(b) shall not apply to this initial one percent areawide levy.

Within one year from the first election under this Charter, the Assembly shall apply one-quarter percent (.25%) of the levy of the former City of Ketchikan's one and one-half percent (1.5%) Public Works and other purposes sales tax on an areawide basis throughout the Municipality, with the revenues from the areawide levy being appropriated for the Municipality. The ratification requirement of Section 10.05(b) shall not apply to this initial one-quarter percent (.25%) areawide levy. The remaining two-and-one-quarter percent (2.25%) of the former City of Ketchikan's sales tax shall be appropriated for the Gateway Service Area. Sales tax levies required by this section shall remain in effect until changed as provided in this Charter.

(c) **Reserves.** Any pledged reserve accounts of the prior local governments shall remain committed to the purposes for which they were originally dedicated.

(d) **Franchises.** All existing franchises of the governments to be consolidated shall continue after ratification of this Charter until they expire, are extended, renewed, or revoked by the Assembly.

(e) **Salaries.** Until changed as provided in Section 2.06, the salaries and expenses of the mayor and assemblymembers will be the same as paid to the mayor and council members of the former City of Ketchikan.

Collective Bargaining. If the Municipality opts out of the Alaska Public Employment Relations Act [Alaska Stats. 23.40.070 - 23.40.260 (1998)], the Assembly shall adopt and may thereafter amend an employment relations ordinance that will extend to eligible municipal employees the right to bargain collectively on wages, hours, and such terms and conditions of employment as are permitted by ordinance. The ordinance shall provide for the recognition and de-certification of collective bargaining units and shall define the scope and nature of collective bargaining. Those collective bargaining units and their representatives that were previously recognized by the Ketchikan Gateway Borough or the City of Ketchikan will, unless decertified or modified by vote of the represented employees,

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Section 16.07 Continuance of Actions.

The adoption of this Charter shall not abate or otherwise affect any action, claim, or proceeding, civil or criminal, by or against, a local government to be consolidated and which had accrued at the time of the effective date of this Charter. All applications, petitions, hearings, and other proceedings pending on the effective date before a local government to be consolidated shall be continued before the Municipality.

Section 16.08 Intergovernmental Relations.

The Municipality may exercise any of its powers or perform any of its functions and may participate in the financing thereof, jointly or in cooperation, by agreement with any one or more local governments, the State of Alaska, or the United States, or any agency or instrumentality of those governments.

Section 16.09 Transition Plan.

Other provisions concerning the transition shall be governed by the transition plan as approved by the Local Boundary Commission and any changes made thereto by the Assembly.

Section 16.10 Penalties.

Within six months after adoption of this Charter, the Assembly, by ordinance, shall prescribe penalties for violations of this Charter if no penalty is prescribed by this Charter.

Section 16.11 Separability Clause.

If a court of competent jurisdiction should hold any section or part of this Charter invalid, such holding shall not affect the remainder of this Charter nor the context in which such section or part so held invalid may appear, except to the extent that another part of the Charter may be inseparably connected in meaning and effect with that section or part.

If a court of competent jurisdiction holds a part of this Charter invalid, or if a change in the state constitution or law renders a part of this Charter invalid or inapplicable, the Assembly, by ordinance, may take such appropriate action as will enable the municipal government to function properly.

Section 16.12 Effective Date.

If, at an election ordered pursuant to Alaska Statutes 29.06.140(a) and (b), the voters

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approve of the consolidation of the City of Ketchikan and the Ketchikan Gateway Borough, this Charter shall become effective on the date the consolidation becomes effective.

EXHIBIT J TRANSITION PLAN

This transition plan demonstrates the intent and capability to provide for an orderly, efficient and economic consolidation process within the shortest practical time following constituent approval of consolidation of the Ketchikan Gateway Borough, a second class borough, and the City of Ketchikan, a home rule city. The consolidated home rule borough shall be designated as "Ketchikan." The transition plan addresses how the powers currently exercised by the Ketchikan Gateway Borough and the City of Ketchikan can be assumed by and delegated to the consolidated government of Ketchikan.

The plan also provides details concerning the manner in which Ketchikan will assume all relevant and appropriate powers, duties, rights, and functions presently exercised by the entities to be dissolved through consolidation. Additionally, it provides details concerning the manner in which the new Municipality will assume and integrate all relevant and appropriate assets and liabilities of the City of Ketchikan and the Ketchikan Gateway Borough.

The plan provides many opportunities for efficiencies in government. But the plan is only a guide for an initial reorganization. It is expected that the new Assembly will begin a cautious review and exploration of potential savings and alter the plan accordingly. Efficiencies and reduced government are the primary purposes of the consolidation, but caution is called for so that the effectiveness of governmental systems can be maintained while they are reorganized. This caution dictates that the initial assignments of assets and liabilities be made to the existing governmental systems. This assignment, as well as the initial administrative organization, should not be construed as anything but temporary. In the short term, many parallel systems and duplication of effort will remain in place. These parallel systems should disappear as single, unified systems can be safely inaugurated.

In accordance with AS 29.06.150 and except as provided for within this petition, the proposed consolidated Municipality will succeed to all powers, duties, rights, assets and liabilities of the entities to be dissolved by consolidation. Additionally, in accordance with AS 29.06.160 and except as provided for within this petition, the ordinances, resolutions, regulations, procedures and orders of the entities dissolved through consolidation remain in force within their respective territories until superseded by the action of the consolidated Assembly.

A. CONSULTATION WITH OFFICIALS: 3 AAC 110.900(b) requires that this transition plan be prepared in consultation with the officials of each existing borough and city proposed for consolidation. The following is a summary of the manner in which this requirement was satisfied.

Officials of the City of Ketchikan and the Ketchikan Gateway Borough were consulted during the review of this transition plan and the petition. Drafts of the proposed charter and other informational materials were circulated for review and comment. Borough

officials including the Manager, Clerk, Attorney, and Finance Director were consulted during the review and rewrite of the charter and transition plan. City officials including the Manager, Attorney, Clerk and Finance Director were consulted and participated in the review and rewrite of the charter, transition plan and petition. Consultation occurred through meetings, individual interviews, information requests and telephone inquiries.

The Ketchikan Charter Commission began weekly meetings on January 21, 2004, switching to bi-weekly meetings in mid-April, then back to weekly meetings in July. All agenda materials were forwarded to the City and Borough Managers, as well as the Clerks and Attorneys for their review and comments. These civic individuals, as well as members of the public, were invited on a regular basis to attend the Commission's meetings.

Advertised public hearings were held on August 13, 2004; August 20, 2004; August 28th, and September 17, 2004. Summaries of the notes from those meetings are included in Sections J-2, J-3 , J-4 and J-5.

B. EFFECTIVE DATE: The consolidation of the Ketchikan Gateway Borough and the City of Ketchikan is contingent upon ratification by the voters. A vote on the question of consolidation is expected to occur at a special election scheduled either in late calendar year 2005 or early 2006. Consolidation and the proposed charter, included within the petition as Exhibit I, will become effective upon State certification of the election of the consolidated Municipality's Assembly.

C. POWERS AND DUTIES OF EXISTING CITY PROPOSED TO BE CONSOLIDATED: Incorporated on August 25, 1900 the City of Ketchikan is a home rule city having legislative powers concerning matters not limited by Title 29 of the Alaska State Statutes. The City of Ketchikan may exercise any power not otherwise prohibited by law (AS 29.10.200) except that the second class Ketchikan Gateway Borough exercises mandatory areawide powers of education; assessment and collection of property, sales and transient occupancy taxes; and platting, planning, and land use regulation throughout the borough, including the City of Ketchikan.

Listed below are the powers and the duties currently exercised by the City of Ketchikan. Responsibility for exercising powers and duties is vested with the City government's legislative and executive branches. The legislative branch, which is comprised of the Mayor and City Council, is responsible for establishing City policies and goals. The executive branch is comprised of the offices of the City Clerk, City Attorney, and City Manager; the Human Resources Division; and the Finance Department. These offices and departments provide for the general management and oversight of the various City operations, services, and municipal assets & liabilities.

1. **Public Safety:** The City provides police protection and fire suppression services within its municipal boundaries. Emergency 911 dispatch is afforded to the community on an areawide basis utilizing the Police Department's dispatch staff. Emergency medical services are provided by the City within its municipal boundaries.

The Public Safety Director supervises these respective departments that provide public safety services both within and outside of the City. Funding is derived from the City's General Fund; a one percent (1%) Public Safety Sales Tax, that is used to finance operations, as well as providing for major and minor capital outlays; EMS user fees; parking fines and revenues; state assistance; and from miscellaneous charges.

2. Library: The City owns and operates the Ketchikan Public Library, which is located in the Centennial Building. The Library serves the entire community and also contracts with the Ketchikan School Board and the State of Alaska to provide services to area schools and the University of Alaska. Based on the percentage of residents living outside of the City compared to the total population of the Borough, the City receives an annual payment from the Ketchikan Gateway Borough for library services provided to non-City residents. This payment is derived from a nonareawide property tax, that is currently 1.2 mills and those funds are dedicated to the Ketchikan Public Library. The remaining funding is derived from the City's General Fund; a one and one-half percent (1.5%) Public Works Sales Tax, that is used to finance major and minor capital outlays; state grants; inter-municipal and state contracts; and from various other sources.

3. Museum: The City owns and operates the Tongass Historical Museum and the Totem Heritage Center. The Museum Director manages the Department's three divisions: Collections, Programs and Visitor Services. The Museum provides services to the entire Borough, as well as to many non-resident visitors. Funding of the Museum is derived from the City's General Fund; a one and one-half percent (1.5%) Public Works Sales Tax, that is used to finance major and minor capital outlays; state and federal grants; seasonal admission fees; and from various other sources.

4. Ted Ferry Civic Center: The City owns and operates the Ted Ferry Civic Center, which is a multi-purpose facility that provides accommodations for conventions, meetings, and other social, cultural and public events. Operated as a division of the Museum Department, it is available for rent and use by all Borough residents. Although fees are charged for the use of the facility, revenues derived are insufficient to cover its operating costs and must be subsidized by the City's General Fund and from a one and one-half percent (1.5%) Public Works Sales Tax that is used to finance major and minor capital outlays.

5. Mental Health/Substance Abuse: The City owns and operates the Gateway Center for Human Services, which is a provider of mental health and substance abuse treatment services. Gateway provides counseling, prevention and community based assistance programs for a wide range of public mental health and substance abuse needs. The programs offered by the Gateway Center for Human Services are available on a borough-wide basis. Funding is derived from the City's one percent (1%) Hospital Sales Tax; state operating and capital grants; client user fees; and from a one and one-half percent (1.5%) Public Works Sales Tax, which is used to finance major and minor capital outlays.

6. Ketchikan General Hospital/Public Health: The City owns and maintains the Ketchikan General Hospital. The premises are leased to PeaceHealth Inc., which operates the facility as a community-wide hospital. Ketchikan General Hospital and its services are available to the general public regardless of residency. Funding of the Hospital is derived from the City's one percent (1%) Hospital Sales Tax.

The City also assists in the annual financing of the state sponsored Ketchikan Public Health Center, which provides public health and medical services to all residents of the Borough. Funding of the Ketchikan Public Health Center is derived from the City's General Fund, local contributions and state assistance.

7. Public Works: The Public Works Department, under the direction of the Public Works Director, provides the following services within the City:

a) **Public Works Engineering:** The City of Ketchikan Public Works Department currently provides engineering services not only for the divisions of the Department, but for other municipal divisions as well. The division also provides for building code enforcement within the City. Funding of the division is derived from the City's General Fund; interdivisional charges; and from a one and one-half percent (1.5%) Public Works Sales Tax, that is used to finance operations, as well as providing for major and minor capital outlays.

b) **Public Works Streets and Roads:** The City of Ketchikan Public Works Department's Streets Division currently provides for the construction and maintenance of streets and roads, bridges, sidewalks, storm drainage, culverts and street lighting. Funding of the division is derived from the City's General Fund and from a one and one-half percent (1.5%) Public Works Sales Tax, that is used to finance major and minor capital outlays.

c) **Solid Waste Collection, Disposal and Recycling:** The City of Ketchikan Public Works Department currently provides for the collection and disposal of solid waste. The City owns and operates the Solid Waste Handling and Recycling Facility (SWHRF) adjacent to Deer Mountain. Putrescible solid waste is baled and shipped south by barge to a regional landfill in Washington State. Non-putrescible solid waste is landfilled at the SWHRF. Residential collection and disposal services are exclusively provided by the City within the City limits. Commercial service within the City is available, with non-residential customers having the option of private collection service.

The City accepts solid waste for disposal at the SWHRF on a borough-wide basis. Funding of solid waste collection and disposal is derived from mandatory residential collection and disposal fees within the City; mandatory disposal fees assessed against non-City residents; and from commercial truck tipping fees charged at the SWHRF. The Solid Waste Collection and Disposal Divisions of the Public Works Department are financed as a special revenue fund. Funding is

also derived from state grants, which are used to finance major and minor capital outlays.

d) **Municipal Facility and Vehicle Maintenance:** The City of Ketchikan Public Works Department currently provides for facility and vehicle maintenance not only for the divisions of the Department, but for other municipal divisions as well. Funding of the Building and Garage/Warehouse Divisions is derived from the City's General Fund; inter-divisional charges; and from a one and one-half percent (1.5%) Public Works Sales Tax, that is used to finance major and minor capital outlays.

e) **Cemetery Services:** The Bayview Cemetery is owned and operated by the City of Ketchikan on a borough-wide basis. Funding is derived from user fees and from the City's General Fund.

f) **Wastewater Collection and Treatment:** The City owns and operates secondary wastewater treatment plant facilities, pump stations, collection systems and other equipment required for the collection and treatment of wastewater. Wastewater services are provided only within the boundaries of the City. Funding is derived from user fees and State grants. The Wastewater Division is financed as a special revenue fund.

8. **Port and Harbors:** The City's Port and Harbors Department operates under the direction of the Harbormaster and maintains facilities for both large and small maritime vessels. The Harbors Division maintains and operates five boat harbors and associated facilities, four of which are state owned. As a result of its extraterritorial powers two of the harbors operated by the City are located in the Borough outside of the City limits. The division is operated as a special revenue fund with expenditures paid for by revenues derived from harbor users, as well as from state and federal grants.

The Port Division operates and maintains the Port of Ketchikan primarily for use by the cruise ship industry, commercial fishing fleet, charter boat fleet and the general public. It is the only cruise ship port within the Borough and serves as a staging area for local tours throughout the entire community. The division is operated as an enterprise fund with expenditures paid for by revenues derived from Port users and land based tour operators, as well as from state and federal grants.

9. **Public Utilities:** The City owns and operates Ketchikan Public Utilities, which provides telecommunications and electric service to the entire Borough with the exception of remote and unpopulated areas. KPU also provides water service to an area roughly coinciding with the boundaries of the City of Ketchikan. Private water haulers purchase water from KPU for distribution to other parts of the Borough that do not have water systems operated by service areas. KPU is operated as a public utility and is regulated by the Regulatory Commission of Alaska. The City Council of the City of Ketchikan is the governing body of the Utility. KPU is administered by the City Manager, who oversees its four divisions:

Administration, Water, Electric and Telecommunications.

D. POWERS AND DUTIES OF EXISTING BOROUGH PROPOSED TO BE CONSOLIDATED: Organized on September 6, 1963, the second class Ketchikan Gateway Borough exercises mandatory areawide powers of education; assessment and collection of property, sales and transient occupancy taxes; and planning, platting, and land use regulation. The Borough exercises four other permissive areawide powers and has adopted three nonareawide powers. Additional powers and duties are exercised on a service area basis. Currently ten service areas exist within the Borough.

Listed below are the powers and duties currently exercised by the Ketchikan Gateway Borough. Responsibility for exercising both areawide and nonareawide powers is vested with the Borough government's legislative and executive branches. The legislative branch, which is comprised of the Mayor and Borough Assembly, is responsible for establishing Borough policies and goals. The executive branch is comprised of the offices of the Borough Manager, Borough Clerk, Borough Attorney, Borough Assessor and Finance Director, and the Department of Planning and Community Development. The executive offices are similar in purpose to those of the City of Ketchikan and provide general administrative oversight for the Ketchikan Gateway Borough.

Mandatory Areawide Powers:

1. Education: The Ketchikan Gateway Borough partially funds the Ketchikan Gateway Borough School District, which is administered by the Ketchikan Gateway Borough School Board. The School Board is comprised of seven board members, who are elected at large on a borough-wide basis. A School Board President is selected annually by the board members. School District facilities include four elementary schools, one middle school and two high schools. Funding of the School District is derived from the Borough's General Fund, as well as from state and federal financial assistance.

2. Assessment and Collection of Property, Sales and Transient Occupancy Taxes: The Ketchikan Gateway Borough collects both Borough and City taxes levied within the Borough. Taxes assessed and collected by the Borough include the following types:

- ✓ Real and Personal Property
- ✓ Consumer Sales
- ✓ Transient Occupancy
- ✓ Boat

Funding of the Finance Department and the Assessment Department is derived from the Borough's General Fund.

3. Platting, Planning, and Land Use Regulation: The Ketchikan Gateway Borough exercises its land use regulation authority, including planning and platting powers, throughout the Borough, including the cities of Ketchikan and Saxman. The Department

of Planning and Community Development is funded through the Borough's General Fund and by user fees. The Borough Planning Commission consists of seven members appointed by the Mayor and confirmed by the Assembly. Four of the seven members are residents of the City and are recommended for appointment by the Mayor and City Council.

The Commission elects a chairperson. The Borough has established land use regulations under its municipal code, which incorporate all platting and land use regulations, land use districts and subdivision and platting requirements

Permissive Areawide Powers:¹

1. Parks and Recreation: Parks and recreation services are authorized pursuant to Title 16 of the Borough Municipal Code. The Parks and Recreation Department provides a variety of services to Borough residents. The Department operates the Borough Indoor Recreation Center (IRC), the Mike Smithers Pool and various parks and recreational fields throughout the community. The pre-existing City Parks and Recreation Department was assumed by the Borough as a result of a 1990 election transferring City staff and assets to the Borough, who concurrently assumed Parks and Recreation powers. The Department is funded through the Borough's General Fund; user fees; and from a one-half percent (.5%) Parks and Recreation Sales Tax, which is used to finance major and minor capital outlays.

2. Transportation: Transportation services are authorized pursuant to Title 14 of the Borough Municipal Code. The Transportation Services Department provides a variety of services to Borough residents. The Borough operates a ferry system that provides passage to and from the airport. The Department also operates the Ketchikan International Airport and terminal, which are located on Gravina Island. The Department is funded through Airport and Transit enterprise fund user fees; the Borough's General Fund; and from federal and state operating and capital grants.

The Borough operates a public transit system that includes a local bus service that operates within the City and is administered by the Borough's Public Works Department. Funding for the public transit system is derived from the Borough General Fund, user fees and from federal and state operating and capital grants.

Upon consolidation, it is anticipated that such powers will continue to be exercised on an areawide basis until such time as the Assembly determines otherwise.

3. Animal Control and Protection: Animal control and protection services are authorized pursuant to Title 20 of the Borough Municipal Code. The Borough provides animal control and protection services that includes a shelter and field officers. The Department enforces local animal control ordinances and works with state agencies

¹ As a second class borough, the Ketchikan Gateway Borough has also adopted the following general government services as permissive areawide powers: voter services, alcoholic beverage hours, and tax increment financing.

concerning problems related to non-domestic animals. The Department is funded through the Borough's General Fund and user fees.

4. Economic Development: Economic development services are authorized pursuant to Title 10 of the Borough Municipal Code. The Borough funds projects and services, either through direct grants or loans. The Borough oversees the proper administration of Title 10, Economic Development, as amended from time to time and directs the implementation of the adopted economic development policies for the Borough.

The Borough also funds a general grant program to assist community organizations and agencies, in order to promote economic development and community enhancement.

Non-Areawide Powers:

The Ketchikan Gateway Borough has adopted the following powers on a nonareawide basis:

1. **Sewers** (Title 17): Sewer powers are funded by user fees and/or charges.
2. **Solid Waste Disposal** (Title 29): The Borough has adopted and exercises nonareawide powers for the disposal of solid waste. Residents are assessed a monthly fee for the disposal of solid waste at the City's Solid Waste Recycling and Handling Facility (SWRHF). Borough residents have the option of either contracting with private collection companies to transport their solid waste to the SWRHF or may deliver it themselves.
3. **Library:** The Borough reimburses the City of Ketchikan for the Ketchikan Public Library based on the percentage of residents living outside of the City compared to the total population of the Borough. This payment is funded by the nonareawide millage levy (1.2 mills for FY 04-05).

Service Areas:

The Ketchikan Gateway Borough exercises other powers on a service area basis (AS 29.35.220). The Borough has ten service areas and exercises the following powers within the respective service areas' jurisdictions:

1. Forest Park Service Area:
 - a) Street Construction and Maintenance.
2. Gold Nugget Service Area:
 - a) Street Construction and Maintenance.
3. Mud Bight Service Area:
 - a) Street Construction and Maintenance.

- b) Water Supply, Treatment and Distribution.*
- 4. South Tongass Service Area:
 - a) Fire Protection.
 - b) EMS
 - c) Construction, maintenance, operation, and regulation of a water supply, treatment, and distribution system, including hydrants.
- 5. Waterfall Creek Service Area:
 - a) Street Construction and Maintenance.
- 6. Nichols View Service Area:
 - a) Street Construction and Maintenance.*
- 7. Deep Bay Service Area:
 - a) Street Construction and Maintenance.*
 - b) Harbor and Dock Construction, Maintenance and Operations.*
- 8. Long Arm Service Area:
 - a) Street Construction and Maintenance.*
 - b) Harbor and Dock Construction, Maintenance and Operations.*
- 9. Vallenar Bay Service Area:
 - a) Street Construction and Maintenance.*
- 10. North Tongass Fire and Emergency Medical Services Service Area
 - a) Fire and Emergency Medical Service

***Service currently not provided by Service Area.**

E. CHANGE IN POWERS AND DUTIES: The following is an explanation of how consolidation will effect the delivery of the current services listed in paragraphs C and D of this Transition Plan. Included is a statement concerning any new powers proposed to be exercised, as well as any existing powers proposed to be eliminated or altered. During the initial transition period following consolidation of the City of Ketchikan and the Ketchikan Gateway Borough, there will be a reconfiguration concerning how and where some services are provided, as well as regarding how they are paid for. In this context two significant changes will occur:

1. Some services that are presently exercised by the City on behalf of City and non-City residents will be transferred to the consolidated Municipality and will be provided on either an areawide or nonareawide basis.
2. One new service area will be created to provide services formerly provided by the City of Ketchikan. The Gateway Service Area will encompass the area of the former

City of Ketchikan and will provide those services previously provided by the City that are not transferred to the consolidated Municipality.

What follows is a detailed discussion of these two issues within the context of mandatory areawide, permissive areawide, nonareawide and service area powers. Although former City and Borough employees, excluding those of the Ketchikan Gateway Borough School District, will become employees of the consolidated Municipality, the narrative that follows details the manner in which the cost of employees and services will be apportioned to the consolidated Municipality, the existing service areas and the new service area to be established as a result of consolidation.

Mandatory Areawide Powers:

Mandatory areawide powers include education; assessment and collection of property, sales and transient occupancy taxes; and platting, planning and land use regulation. The following three powers are mandatory areawide services. State law, AS 29, requires them to be provided by the consolidated Municipality.

1. Education: The Borough exercises areawide education powers as a second class borough under AS 14. The educational system is administered by the Ketchikan Gateway Borough School District. The school district operates seven schools within the area. The FY 2004-2005 Borough mill levy provides the local contribution toward funding the School District budget of \$24,073,672, approximately one-third of the district's total spending plan. The Ketchikan Gateway Borough School District operates 165 classrooms and employs 154 teachers. Funding of the School District will continue to be derived from the consolidated Municipality's General Fund and from state and federal assistance.

Mandatory areawide education powers within the Borough will not be affected by consolidation. Education is currently provided by the Ketchikan Gateway Borough through the Ketchikan Gateway Borough School District, who administer the school system. Article IX of the proposed charter will not alter this structure. Because consolidation will not result in any change in the composition, apportionment, powers, or duties of the school board, this consolidation proposal will not require the election of a new school board. The Ketchikan Gateway Borough School District will continue to administer the local school system after consolidation occurs. The current practice of the Borough School Board and Borough Assembly establishing the total amount of local funding for the school system will not be changed. Borough property taxes, that support the school system, will remain the primary local funding source. The consolidation itself will not have any direct effect on the School District budget. State and federal funding or the amount of the local contribution will not be affected by consolidation. The consolidation will not alter school district staffing requirements and will not change collective bargaining agreements or retirement plans.

Section 9.04 of the proposed Ketchikan charter contains a provision that mandates one yearly joint meeting between the School Board and the Assembly.

2. Assessment and Collection of Property, Sales and Transient Occupancy Taxes:

The Ketchikan Gateway Borough presently is responsible for all tax assessment and collection duties within the Borough, including the City of Saxman and the City of Ketchikan. Article 10 of the proposed charter vests this authority with the consolidated Municipality and will not alter the existing structure. Taxation includes the collection of real and personal property taxes, taxes on sales, transient occupancy taxes, automobile and boat taxes and miscellaneous fees. The process of tax collection will be unchanged by the consolidation. The Borough Finance Department collects sales and property taxes, maintains financial records and manages the financial assets of the Borough. The Department of Assessment provides the assessment of all taxable real and personal property within the Borough. Both of these departments will continue their former duties under the consolidated Municipality. Existing Borough tax record systems, maps, computer files, and procedures will remain in place. Taxes and the provision of services will be more closely linked as a result of consolidation.

The City of Ketchikan has special purpose sales and property taxes that are designated to provide specific City services. To a lesser extent these taxes will remain in effect within the Gateway Service Area and will continue to be collected by the consolidated Municipality. The taxes will be used to support only those services provided in the service area. The existing City and Borough Finance Departments will be integrated into one Finance Department. The Assessment Department will continue as a separate department of the consolidated Municipality. Funding of the consolidated Municipality's Finance and Assessment Departments will be derived from the consolidated Municipality's General Fund.

3. Platting, Planning and Land Use Regulation: Land use control and planning and platting services are currently provided by the Borough throughout the community. With the exception of building code enforcement, the City of Ketchikan does not exercise land use control or planning. The Borough's platting and zoning ordinances are comprehensively applied throughout the Borough and the cities of Ketchikan and Saxman.

Planning services will be unchanged and assumed in total by the consolidated Municipality. Article VII of the proposed charter will not result in change as to how land use powers are exercised. The ordinances implementing these existing powers will not be changed as a result of the consolidation. The existing Borough Planning Commission will become the Planning Commission for the consolidated Municipality. Reappointment of Planning Commission members is not required. The Planning Commission members will remain seated through their current terms of office. The existing comprehensive plan applies to the entire Borough, including the Cities of Ketchikan and Saxman, and will not have to be revised as a result of consolidation.

Pursuant to Section 12.04(d) of the proposed charter, building code enforcement will be applied within the Gateway Service Area on a service area basis. It is suggested that City building code enforcement staff be transferred to the Borough's Community Development Department. This would provide a one-stop permitting service for the entire community.

Building code enforcement within the Gateway Service Area will be provided on a cost allocation method between the Municipality and the service area and funded through the

service area's Special Revenue Fund.

Existing Borough Permissive Areawide Powers:²

Current permissive areawide powers provided by the Ketchikan Gateway Borough will not be affected by the consolidation. The following permissive areawide powers will be unaffected by consolidation and will continue to be provided in the same manner and at the level of service as they were prior to consolidation:

- ✓ Parks and Recreation
- ✓ Transportation
- ✓ Animal Control
- ✓ Economic Development

Permissive Areawide Powers to be Transferred to Consolidated Municipality:

The consolidation of the City of Ketchikan and the Ketchikan Gateway Borough will result in the assumption of additional permissive areawide powers and services by the consolidated Municipality. The consolidated Municipality will provide such powers and services currently provided by the City of Ketchikan on behalf of both City and non-City residents. The assumption by the borough of a service, formerly provided by the City of Ketchikan, results in the acceptance of all the rights, powers, duties, assets, and liabilities accrued to the service by the former City of Ketchikan. Borough areawide services will be available to and paid for by all residents of the consolidated Municipality.

Other services currently provided by the City of Ketchikan that are not assumed by the consolidated Municipality on an areawide basis will be provided by the Gateway Service Area. The services provided within the Gateway Service Area will be paid for from revenues collected within that service area.

The following powers, services and facilities will be assumed by the consolidated Municipality from the former City of Ketchikan and will be provided on an areawide basis:

1. Emergency 911 Dispatch: The City currently provides emergency 911 dispatch services on an areawide basis.

Following the dissolution of the City, the consolidated Municipality will assume emergency 911 dispatch powers on an areawide basis. This transfer will result in the assumption of the assets, properties, staff and expenses by the consolidated Municipality. Funding for emergency dispatch services will be derived from the consolidated Municipality's General

² As a second class borough, the Ketchikan Gateway Borough has also adopted the following general government services as permissive areawide powers: voter services, alcoholic beverage hours, and tax increment financing. Upon consolidation, it is anticipated that such powers will continue to be exercised on an areawide basis until such time as the Assembly determines otherwise.

Fund effective the first day of the consolidated Municipality's initial fiscal year.

The administration of Emergency 911, which will be provided by the Gateway Service Area's Police Department and will be funded, in part, through a telephone user fee.

2. Library: The Ketchikan Public Library is funded by both the City and the Borough. Presently the Borough provides annual funding to the City for library services rendered to non-City residents. The amount is negotiated, but is based upon the percentage of residents living outside of the City compared to the total population of the Borough. Funding by the Borough is derived from the nonareawide millage rate. Following the dissolution of the City, the consolidated Municipality will assume library powers on an areawide basis. This transfer will result in the assumption of the assets, properties, staff and expenses by the consolidated Municipality. Funding for library services will be derived from the consolidated Municipality's General Fund; state and federal grants; and from various other sources.

Funding of the Library on an areawide basis and termination of the nonareawide mill levy for Library services will become effective the first day of the consolidated Municipality's initial fiscal year and the areawide mill levy will be increased by 1.2% to 8.7% instead with a concurrent decrease in the Gateway Service Area levy by 1.2% to 5.2 mills.

3. Museum: The City operates the Ketchikan Museum and the Totem Heritage Center. The Museum and Totem Heritage Center will be operated as an areawide service by the consolidated Municipality. This transfer will result in the assumption of the assets, properties, staff and expenses by the consolidated Municipality. The City also supports a Historical Commission through the City Manager's Office. The consolidated Municipality's organizational structure will incorporate the Commission within the Museum Department. The nominal cost of the Commission will become a part of the Museum Department's budget. Funding of the Museum will be derived from the consolidated Municipality's General Fund; state and federal grants; seasonal admission fees; and from various other sources.

Funding of the Museum on an areawide basis will become effective the first day of the consolidated Municipality's initial fiscal year.

4. Ted Ferry Civic Center: The Ted Ferry Civic Center is owned and operated by the City. Consolidation will result in ownership of the facility and its operation being assumed by the consolidated Municipality. Staff, assets and liabilities of the Ted Ferry Civic Center will be assumed by the consolidated Municipality.

Effective the first day of the consolidated Municipality's initial fiscal year, the Ted Ferry Civic Center will be paid for on an areawide basis by the consolidated Municipality's General Fund and from fees it collects.

5. Mental Health/Substance Abuse: The City's Gateway Center for Human Services

will become a responsibility of the consolidated Municipality as part of its permissive areawide services. The consolidated Municipality will assume staff, assets and liabilities. These programs are currently funded from state and federal grants, as well as from the City's one percent (1%) Hospital Sales Tax. Financing of the Gateway Center for Human Services by the consolidated Municipality will be derived from the imposition of a one percent (1%) areawide Hospital Sales Tax; state and federal grants; and patient fees.

Funding of the Gateway Center for Human Services on an areawide basis; termination of the existing City's one percent (1%) Hospital Sales Tax; and the imposition of a one percent (1%) areawide Hospital Sales Tax will become effective the first day of the consolidated Municipality's initial fiscal year.

6. Ketchikan General Hospital/Public Health: Ketchikan General Hospital and the facility lease agreement with PeaceHealth Inc. will become a responsibility of the consolidated Municipality as part of its permissive areawide services. All assets and liabilities of the Ketchikan General Hospital will be assumed by the consolidated Municipality. Financing of the Ketchikan General Hospital by the consolidated Municipality will be derived from the imposition of a one percent (1%) areawide Hospital Sales Tax.

Funding of the Ketchikan General Hospital on an areawide basis; termination of the City's existing one percent (1%) Hospital Sales Tax; and the imposition of a one percent (1%) areawide Hospital Sales Tax will become effective the first day of the consolidated Municipality's initial fiscal year.

The City of Ketchikan's financial support of the state sponsored **Public Health Center** will become a responsibility of the consolidated Municipality. Funding of the Public Health Center on an areawide basis will be derived from the consolidated Municipality's General Fund and will become effective the first day of the consolidated Municipality's initial fiscal year.

7. Bayview Cemetery: The Bayview Cemetery is owned and operated by the City. As a result of the consolidation the cemetery will become the property and responsibility of the consolidated Municipality. The consolidated Municipality will assume staff, assets and liabilities of the cemetery.

The cemetery will be provided and paid for on an areawide basis through user fees and from the consolidated Municipality's General Fund effective the first day of the consolidated Municipality's initial fiscal year.

8. Solid Waste Disposal: The disposal of garbage and solid waste will become an areawide power of the consolidated [Borough] Municipality. Ownership and operation of the City's Solid Waste Handling and Recycling Facility (SWHRF) will be conveyed to the consolidated Municipality. The closed area of the landfill, which was operated by the City and used by residents throughout the Borough, will become borough owned. City Public

Works Department staff, who operate the SWHRF, will become employees of the consolidated Municipality. The consolidated Municipality will assume staff, assets and liabilities of the SWHRF. Monthly collection and disposal charges assessed against City residents; monthly disposal charges assessed against non-City residents; and commercial tipping fees currently fund the Solid Waste Recycling and Handling Facility.

Following consolidation, residents of the Gateway Service Area and non-City residents will continue to pay monthly solid waste disposal charges as established by the Assembly. Commercial users will pay a per-use-tipping fee as they did before consolidation. Solid waste disposal will be operated by the consolidated Municipality as a special revenue fund, with revenues covering the cost of services.

Funding of the Solid Waste Disposal Division on an areawide basis will become effective the first day of the consolidated Municipality's initial fiscal year.

9. Port and Harbors: The small boat harbors, marine facilities and deep water port that are now owned and/or operated by the City will become the property of and operated by the consolidated Municipality. The staff, assets and liabilities of the City- owned/operated facilities will be transferred to the consolidated Municipality. The City of Saxman will continue to provide enhanced port facilities within its own boundary.

Funding of the City's Port and Harbors Divisions on an enterprise fund and a special revenue fund basis, respectively, will remain the same under the consolidated Municipality.

Funding of the Port and Harbors Division on an areawide basis will become effective the first day of the consolidated Municipality's initial fiscal year.

10. Municipal Utilities: Ketchikan Public Utilities (KPU) is a public utility owned by the City of Ketchikan. KPU currently provides electricity and local and in-state telephone service throughout its certificated area (most of the populated or developed areas of the Borough). It also provides water service to the City. The consolidation will transfer ownership of the Utility and its services to the consolidated Municipality. Assets, liabilities, property and employees will be transferred to the Municipality. The Utility is operated as an enterprise fund and will continue to do so after consolidation.

KPU is currently administered by the City Council of Ketchikan, who are elected from the residents of the City. The City Council sets rates and the terms of service. Following consolidation the Utility will be administered by the Assembly of the consolidated Municipality. The current governing body of KPU, the Ketchikan City Council, is elected only from the residents of the City. Following consolidation the governing body of KPU will be elected from the residents of the consolidated Municipality. This will allow a broader-based area representation of the governing body of the Utility.

Pursuant to Section 8.02 (a) of the proposed charter, following consolidation the Assembly may by ordinance establish an appointed utility Board and delegate to that board such

powers and responsibilities as it deems appropriate.

The provision of electricity, telephone and water service by the Utility will not be affected by the consolidation. These services will continue to be provided within the Utility's certificated area as established by the Regulatory Commission of Alaska.

Although the KPU Water Division will be a division of the consolidated Municipality Utility, it will initially provide service only within its certificated area (that portion of the Gateway Service Area encompassing the former City of Ketchikan). The existing Borough service areas that provide water service will continue to do so within their respective boundaries on a service area basis.

Nonareawide Powers:

1. Wastewater Collection, Treatment and Discharge: The Borough currently exercises nonareawide powers regarding Wastewater Collection, Treatment and Discharge. Such powers shall continue to be provided on a nonareawide basis following consolidation and the cost to provide services will be assessed against users on a system-by-system basis. The Wastewater Division of the City of Ketchikan will be transferred to the consolidated Municipality. The functions, assets, equipment and liabilities of the former City Public Works Department's Wastewater Division will be transferred to the consolidated Municipality. The City Public Works Department staff that operates the wastewater plant and maintains the collection system will become employees of the consolidated Municipality.

The power and services will be exercised on a nonareawide basis and will be paid for by revenues raised through user fees.

Section 12.04(f) of the proposed charter grants to the Assembly the continued power to terminate or alter service areas without approval of the voters, in order to provide sanitary sewage service on any basis determined by the Assembly. Consolidation will combine the provision of sanitary sewer services of the former City and Borough into a single nonareawide function. This activity will be accounted for in a separate special revenue fund supported by user fees.

2. Building Code Enforcement: The City of Ketchikan currently exercises building code enforcement within its boundaries. Following consolidation building code enforcement powers will be authorized on a service area basis. Section 12.04(d) of the proposed charter provides that building code enforcement powers will initially be exercised in the Gateway Service Area only and would only be expanded to those areas whose citizens vote to have building code enforcement powers.

Existing Service Areas:

The services provided by the existing Borough service areas and the level of services will

not be altered by consolidation. None of the boundaries of the service areas will be changed. The method of funding the services for each service area will also remain the same.

The Municipal Assembly will need to review the assessments and sales taxes currently in place to determine: (1) whether any dedicated source of funds is being used for that purpose; (2) whether the purpose for a dedicated fund may have ended or have been modified; and (3) whether the effects of consolidation have substantially modified the basis for such assessments or sales taxes and/or the equitable allocation of tax or assessment burdens upon the Municipality or the service areas.

It is anticipated that there will be savings to the Municipality and service areas by: economies of scale in operations; reducing duplication of staff, equipment and procedures; and encouraging sharing of equipment and services, including, but not limited to, consideration of standardization or compatibility of equipment, procedures and training.

Definition. "Contract". It is anticipated that there will need to be allocation of staff, equipment, services and cost/financial burdens between the Municipality and service areas, and between service areas, due to the lack of total unity of operations of the Municipality and service areas. For purposes of this need, this plan uses the term "contract" to mean the agreement between the Municipality or service area or between separate service areas for such allocation.

Service Area To Be Established:

1. Gateway Service Area: A new service area will be created to encompass the area of the former City of Ketchikan. It shall be designated as the Gateway Service Area. A legal description and map of the Gateway Service Area are contained in Exhibits E-1 and E-2. This service area will provide those services that were provided by the former City of Ketchikan that will not be transferred to the consolidated Municipality. All services provided by the former City will be provided either by the Municipality to all residents or through the Gateway Service Area to its residents. No service formerly provided in the City will be discontinued.

The first day of the Gateway Service Area's initial fiscal year, real and personal property taxes assessed by the former City of Ketchikan will be terminated. A 5.2 mill property tax levy will be assessed on a service area basis. Revenues derived from this property tax levy will be accounted for in the Gateway Service Area's Special Revenue Fund. (Read dedicated fund).

The first day of the Gateway Service Area's initial fiscal year, sales taxes assessed by the former City of Ketchikan will be terminated. A one percent (1%) Hospital Sales Tax will be assessed on an areawide basis. The City's former Public Safety and Public Works Sales Taxes (1.0% and 1.5% respectively) will be terminated and will be replaced with 1.0% and 1.25% Gateway Service Area Public Safety and Public Works Sales Taxes. Revenues

derived from these sales taxes will be accounted for in the Gateway Service Area's Special Revenue Fund.

The following services will be provided in the Gateway Service Area:

a) **Police:** The proposed charter for the consolidated Municipality in Section 12.03 (a)(1) limits the establishment and operation of police departments to service areas. No existing service area currently provides police services. This situation will change as a result of consolidation. Police services for the former City of Ketchikan will become a service of the Gateway Service Area. The functions, equipment, assets and liabilities of the City Police Department, excluding emergency 911 dispatch, will be transferred to the Gateway Service Area. The City Police will become consolidated Municipality employees who provide a service, police protection, only within the Gateway Service Area and will be paid for by the service area.

The Alaska State Troopers will be the primary law enforcement agency outside the Gateway Service Area. Any mutual aid agreements will not be affected and remain in force. The provision of police services will be paid for from the Special Revenue Fund of the Gateway Service Area.

Funding of the Police Department on a service area basis; termination of the existing City's one percent (1%) Public Safety Sales Tax; and imposition of a one percent (1%) Gateway Service Area Public Safety Sales Tax will become effective the first day of the service area's initial fiscal year.

b) **Fire Suppression and Emergency Medical Services:** The proposed charter for the consolidated Municipality in Section 12.02 (a)(2) limits the establishment and operation of fire and Emergency Medical Services departments to service areas. Not all fire service areas will have the same level of service. The existing service areas that provide fire protection will be unchanged by consolidation.

Following consolidation all assets and liabilities of the former City Fire Department will remain with the Gateway Service Area. The City Fire Suppression and Emergency Medical Services components of the former City Fire Department are integrated to the extent that they could be irreparably harmed if segregation of the services were to be attempted. The Gateway Service Area will be responsible for fire suppression within its borders. City firefighters will become, as with the Police, consolidated Municipality employees who will provide a service only to the Gateway Service Area and will be paid for by the service area. Any mutual aid agreements will not be affected.

Fire suppression services will be paid for by the Gateway Service Area's Special Revenue Fund. Funding of the Fire Suppression Division on a service area basis;

termination of the existing City's one percent (1%) Public Safety Sales Tax; and imposition of a one percent (1%) Gateway Service Area Public Safety Sales Tax will become effective the first day of the service area's initial fiscal year.

The Gateway Service Area will provide, on a service area basis, emergency medical services to the Gateway Service Area.

c) **Public Works Engineering:** The City of Ketchikan Public Works Division currently provides engineering services not only for the divisions of the Department, but for other municipal divisions as well. Following consolidation all assets and liabilities of the former City Public Works Department's Engineering Division will remain with the Gateway Service Area. Engineering staff will become employees of the consolidated Municipality who provide engineering services only within the Gateway Service Area and will be paid for by the service area. The consolidated Municipality will contract with the Gateway Service Area for engineering services as required on an areawide or nonareawide basis.

Engineering services will be paid for by the Gateway Service Area's Special Revenue Fund. Funding of the Public Works Engineering Division on a service area basis; termination of the existing City's one and one-half percent (1.5%) Public Works Sales Tax; and imposition of a one and one-quarter percent (1.25%) Gateway Service Area Public Works Sales Tax will become effective the first day of the service area's initial fiscal year.

Building code enforcement of the former City Public Works Department's Engineering Division will become a function of the consolidated Municipality. The services will initially be provided only within the Gateway Service Area on a service area basis and will be funded through the service area's Special Revenue Fund. It is suggested that the Code enforcement staff be located within the former borough's Community Development Department. The Code Enforcement staff will be paid for through a contract between the Gateway Service Area and the consolidated Municipality.

d) **Public Works Streets and Roads:** The operation of the former Public Works Department's Streets Division including street and road construction and maintenance, bridges, sidewalks, storm drainage, culverts and street lighting will be transferred to the Gateway Service Area. The equipment, facilities, assets and liabilities of the former division will be transferred to the Gateway Service Area. Division staff will become employees of the consolidated Municipality who provide street and road services only within the Gateway Service Area and will be paid for by the service area. Street and road services will be paid for by the Gateway Service Area's Special Revenue Fund.

Funding of the Public Works Streets Division on a service area basis; termination of the existing City's one and one-half percent (1.5%) Public Works Sales Tax; and

imposition of a one and one-quarter percent (1.25%) Gateway Service Area Public Works Sales Tax will become effective the first day of the service area's initial fiscal year.

e) **Public Works Solid Waste Collection:** The City of Ketchikan Public Works Department currently provides for the collection of garbage and solid waste. The Gateway Service Area will provide for the collection of garbage and solid waste within the former City of Ketchikan. The functions, assets, equipment and liabilities of the City's former Solid Waste Collection Division within the Public Works Department will be transferred to the Gateway Service Area. Division staff will become employees of the consolidated Municipality, providing solid waste collection services only within the Gateway Service Area and will be paid for by the service area.

The collection of solid waste in the service area will be paid for from residential and commercial collection fees remitted by users in the Gateway Service Area.

Although solid waste collection will be provided on a service area basis, the Gateway Service Area will contract with the consolidated Municipality for the administration of the division. The administration of the division, which will be undertaken by the consolidated Municipality's Solid Waste Disposal Division, will be funded through user fees of the Gateway Service Area.

f) **Public Works Facility and Vehicle Maintenance:** The operation of the former Public Works Department's Building and Garage/Warehouse Divisions will be transferred to the Gateway Service Area. The equipment, facilities, assets and liabilities of the former divisions will be transferred to the Gateway Service Area. Division staff will become employees of the consolidated Municipality, providing facility and vehicle maintenance services only within the Gateway Service Area and will be paid for by the service area. Facility and vehicle maintenance will be paid for by the Gateway Service Area's Special Revenue Fund and through inter-divisional charges. Funding facility and vehicle maintenance on a service area basis; termination of the existing City's one and one-half percent (1.5%) Public Works Sales Tax; and imposition of a one and one-quarter percent (1.25%) Public Works Sales Tax will become effective the first day of the service area's initial fiscal year.

Summary of Services:

Existing Borough Areawide Services Unaffected by Consolidation:

1. Education
2. Assessment and Collection of Property, Sales and Transient Occupancy Taxes
3. Platting, Planning, and Land Use Regulation
4. Animal Control (Ketchikan Gateway Borough Title 20)

5. Economic Development (Ketchikan Gateway Borough Title 10)
6. Public Transportation (Ketchikan Gateway Borough Title 14)
7. Parks and Recreation (Ketchikan Gateway Borough Title 16)

Existing City Services That Become Areawide:

1. Library
2. Museum
3. Civic Center
4. Public Health, including Mental Health and Substance Abuse
5. Hospital
6. Cemetery
8. Solid Waste Disposal
9. Port and Harbors

Utility Powers Required by Charter:

1. Electricity (borough-owned Utility)
2. Telecommunications (borough-owned Utility)
3. Water Service (borough-owned Utility)

Nonareawide and Service Area Powers Required by Charter:

1. Wastewater Collection, Treatment and Discharge
2. Police Protection
3. Building Code Enforcement
4. Fire Suppression and Emergency Medical Services
- 5.** Street construction and maintenance
- 6.** Collection, but not disposal, of solid waste

F. SCHEDULE FOR INTEGRATION OF ASSETS, POWERS AND DUTIES:

The following is the planned schedule for the integration of powers and duties of the predecessor municipalities. All time periods mentioned in this section refer to the time period following the effective date of the consolidation which is the date the State certifies the election of the consolidated Municipality's Assembly.

1. **Existing Assets, Obligations and Contracts:** All rights, titles, actions, suits, franchises, contracts, assets and liabilities and all civil, criminal or administrative proceedings will continue unaffected by the ratification of the consolidation. The consolidated Municipality will become the legal successor to the former City and Borough governments and shall succeed to all assets and liabilities of the former governments. The consolidated Municipality of Ketchikan will honor all existing contracts and other obligations until their terms expire or are modified by the Assembly.

2. **Public Notice:** Within thirty days of the effective date of consolidation, the consolidated Municipality shall publish public notice and extensively distribute such notice to governmental entities, service areas and appropriate financial institutions regarding the formation of the Municipality of Ketchikan and its succession to the assets, powers, duties and liabilities of the former governments.

3. **Municipal Ordinances:** Ordinances, rules, resolutions, procedures, and orders in effect at the time of the consolidation remain in effect until, or if, superseded by the action of the consolidated Municipality. The City of Ketchikan and Ketchikan Gateway Borough each have municipal laws or codes, which govern the activities of the two separate governments. All ordinances, resolutions, regulations, orders and rules in effect in the former governments will continue in full force and effect to the extent they are consistent with the new charter of the consolidated Municipality.

In some cases, such as planning, subdivisions and zoning, the Borough ordinances govern the entire area and no conflict is possible. The former governments have had a separation of powers and the existing municipal laws have coexisted side by side for a number of years. This separation of responsibility has resulted in very little duplication in the codes between the two former governments.

The consolidation will not necessitate immediate drafting of a new municipal code. In a few cases there may be areas where there is duplication or a difference in interpretation between the codes. During the two-year transition period, or until superseded by newly adopted law, the Mayor, in consultation with the Manager, the Clerk and the Law Department, will review both former municipal codes in the event of duplication or conflict and designate which code or interpretation applies. The designation is effective immediately and will be communicated to the Assembly. The designation is approved unless the Assembly, within thirty days, adopts a contrary interpretation by resolution. The consolidated Assembly may amend an existing ordinance or adopt a new ordinance to address specific needs or conflicts.

Not later than twenty-four months following consolidation, the Assembly shall enact a new code of ordinances. This action shall repeal all ordinances of the former governments not included in the code. Ordinances should be reviewed thoroughly as to whether or not they are effective and enforceable prior to their acceptance into the new Municipality's Code.

4. **Service Areas:** At the time of the petition there will have existed ten service areas that provided a variety of local government services. There will be no interruption of services in the existing service areas due to the consolidation. All of these pre-existing service areas will remain in effect and operation after consolidation. No boundary change or change to the powers or duties of these pre-existing service areas will occur as a result of the consolidation. The composition of the service area boards will not be affected by consolidation. There is no charter or transition plan requirement for the election or new appointment to any service area board. The existing service area boards will continue through their terms under pre-existing borough law. All assets and liabilities of the existing service areas will be transferred upon certification of the election of the consolidation proposition.

One new service area will be formed as a result of the consolidation. The Gateway Service Area will be a multipurpose service provider and provide services of the former City of Ketchikan not transferred to the consolidated Municipality. The new Assembly for the consolidated Municipality will be the governing board for the Gateway Service Area unless the Assembly determines to administer this service area through a service area board or other means. A future service area administrative board may be elected from within the service area or appointed by the Assembly. The Gateway Service Area will be created by the certification of the election of the consolidation proposition.

5. **Borough and City Employees:** Employees of the former City or Borough governments will become employees of the consolidated Municipality. Most employee positions, other than those assigned to the consolidated government's executive branch, will be unaffected by the consolidation (see Exhibit F-4). Almost all of the duplication occurs at the appointed upper level of government. Where duplication exists the new Assembly will determine which executive level (appointed) employees will be retained. Non-appointed employees whose positions are eliminated by the plan of organization will be eligible for reassignment to available positions for which they are qualified. A number of the appointed executive employees have employment contracts with their respective governments. These employee contracts contain provisions for early termination. Any contract provisions for early termination will become the responsibility of the consolidated Municipality.

It is not intended that consolidation will change or diminish pension plans, retirement plans and other benefits for current employees under collective bargaining agreements, personnel rules, or other legal or contractual provisions, in effect on the date of ratification of the consolidation. The consolidation of the City and the Borough will, however, affect existing Public Employees Retirement System agreements with the State of Alaska and 218 agreements with the Federal Social Security Administration. The consolidation will, in

essence, terminate both agreements and require the Municipality of Ketchikan to enter into new agreements if it desires to participate in the Public Employees Retirement System (the "PERS") and the Federal Social Security System. The consolidation will not affect participation in the Teachers Retirement System (the "TRS") because participation is mandated. As a result, there are no agreements or decisions required on the part of the Municipality of Ketchikan regarding participation in TRS.

The agreement to participate in PERS should be in place prior to the election of the new Assembly, the effective date of the dissolution of the City and the Borough and the establishment of the Municipality of Ketchikan. The new agreement should be fashioned in a manner that incorporates the terms and conditions of the agreements the City and Borough currently have with the State. Failure to structure the new agreement in this manner will result in all employees of the City and Borough vesting upon the dissolution of the City and the Borough. This will have the effect of needlessly increasing the pension benefit obligation of the Municipality of Ketchikan.

The Municipality of Ketchikan must also enter into a new 218 agreement with the Federal Social Security Administration if it wants to allow employees that are enrolled in qualified plans to participate in the Federal Social Security System. Elective participation only pertains to the retirement program offered under Social Security. Participation in the Medicare program is mandatory for all employers and employees. Since the Municipality of Ketchikan is expected to continue to participate in qualified plans such as the PERS and union-sponsored plans, it will not be required to participate in Social Security. Employees participating in the TRS are precluded by law from participating in Social Security. Only employees, such as temporary employees, not covered by a qualified plan would be subject to Social Security. A 218 agreement is not required for these employees to participate in Social Security. The Municipality of Ketchikan can, at any time, enter into a new 218 agreement if it wants to permit employees that are enrolled in a qualified plan to participate in Social Security. However, if a new agreement is not in place at the time that the employees of the City and the Borough become employees of the Municipality of Ketchikan, there will be a break in service that may impact the retirement benefits the employees will receive from Social Security. It is permissible to back date the agreement in order to avoid a break in service, but a payment of back taxes will be required.

The three-year budget and financial plan included in the petition to consolidate the City and the Borough was predicated on the Municipality of Ketchikan continuing to participate in PERS, TRS and union retirement plans and entering into a new 218 agreement with the Federal Social Security Administration.

Existing union contracts will be inherited by the consolidated Municipality. Unionized employees in the City and the Borough are represented by different collective bargaining organizations. The re-negotiation of new union contracts or employee votes to change representation are not necessary for consolidation. Section 4 of the Public Employees Relations Act states that the Act "is applicable to organized boroughs and political subdivisions of the state, home rule or otherwise, unless the legislative body of the political

subdivision, by ordinance or resolution, rejects having its provisions apply.”

The City and its 308 regular employees are currently exempt from PERA. The Borough and its 112 regular employees are currently subject to the provisions of PERA. It is anticipated that this issue will be the subject of immediate consideration by the consolidated Municipality’s Assembly, management and legal counsel.

6. **Executive Organization:** The greatest amount of duplication between the two former governments exists at the elected and appointed levels of the legislative and executive branches. These positions serve under term limits, contract, or at the pleasure of the Borough Assembly and/or chief administrative officer. Some of the support staff such as assistants and secretaries to these appointed positions are also exempt. Duplicated positions in the former City and Borough governments will be integrated. The following executive offices are duplicated and will be combined by the consolidation:

- ✓ City Council and Borough Assembly;
- ✓ City Clerk and Borough Clerk;
- ✓ City Manager and Borough Manager;
- ✓ Assistant City Manager and Assistant Borough Manager;
- ✓ City Human Resources Manager and Borough Human Resources Manager;
- ✓ City Public Works Director and Borough Public Works Director;
- ✓ City Data Processing and Borough Automation Departments;
- ✓ City Attorney and Borough Attorney; and
- ✓ City Finance and Borough Administrative Services.

During the period between the ratification of the consolidation by the voters and the first meeting of the new Assembly, applications will be accepted at either the City or Borough offices for appointment to any of the above executive positions. Applications will also be accepted for non-classified support staff. At the first meeting of the new Assembly, it is anticipated that a process for making appointments to the executive positions will be considered. Once appointed, the management of the consolidated Municipality will select their support staff and assume control of their respective departments. Those not appointed will be terminated.

Funding of the consolidated Municipality’s legislative and executive branches will be derived from the consolidated Municipality’s General Fund and inter-divisional charges assessed against Ketchikan Public Utilities and other funds effective the first day of the consolidated Municipality’s initial fiscal year. The City of Ketchikan currently assesses Ketchikan Public Utilities for services rendered by the legislative and executive branches on the Utility’s behalf. It is anticipated that the consolidated Municipality will initially assess the Utility the similar charges for services rendered by:

Assembly of the Municipality
Attorney of the Municipality
Clerk of the Municipality

Manager of the Municipality

Finance:
General Accounting
Data Processing
Office Services
Human Resources

Other funds will also pay for services of the consolidated Municipality's legislative and executive branches. It is anticipated that these charges will range between three and five percent.

7. **Executive Plan:** Not later than thirty days after the Manager's confirmation by the Assembly, the Manager will submit to the Assembly a detailed plan of organization of the administrative branch. The plan submitted by the Manager will combine the overlapping services of the former separate City and Borough administrations. The proposed plan will become law thirty days after it is submitted unless it is either adopted sooner with or without amendment, or rejected by the Assembly. If the proposed plan is rejected, the Manager shall submit an alternate plan to the Assembly within fifteen days of the rejection. If, within thirty days of submission of the alternate plan, the Assembly has adopted no such plan of organization, the alternate proposal submitted by the Manager becomes law. All pre-existing executive departments will remain in existence until the Manager's executive plan takes effect.

8. **Budget Transition:** The City of Ketchikan and the Ketchikan Gateway Borough operate on different fiscal years. The City fiscal year begins on January 1 and ends December 31. The Borough fiscal year coincides with the State fiscal year from July 1 to June 30. The proposed charter requires a July to end of June fiscal year. In order to consolidate the financial operations of the two former governments, the two fiscal years will need to be brought into synchronization. The consolidated Municipality will inherit the budgets of the former governments of the Ketchikan Gateway Borough and City of Ketchikan. The consolidated Municipality of Ketchikan will operate under these combined budgets until the new Assembly adopts the first budget of the consolidated Municipality.

The Manager, in consultation with the Finance Officer, will, prior to the expiration date of the annual budget of the former Ketchikan Gateway Borough, prepare a proposed budget that will bring the consolidated Municipality into a July 1 to June 30 fiscal year. The proposed budget will be submitted to the Assembly for approval and meet the requirements of the proposed charter Sections 10.02 (b) through (e).

It is anticipated that the vote on the question of consolidation is expected to take place by either the fall of 2005 or early in 2006. The final vote on the consolidation to elect a new Assembly is expected to take place sometime between February and May of 2006. As a result, the City will be just completing a fiscal year or will be one or two months into its new fiscal year. The borough will be at the mid-point or will be one or two months past

the mid-point of its fiscal year. The two-month to four-month period between the first meeting of the new Assembly and the end of the former Borough fiscal year will provide sufficient time to formulate and adopt a budget for the consolidated Municipality. The first budget of the consolidated Municipality may be for longer or shorter than a twelve-month period, in order to bring the financial systems of the dissolved municipalities into conformance with the consolidated Municipality's fiscal year.

The budget will also be summarized in a form similar to Exhibit J-2 for ease of understanding by non-financial persons. This summary shall separate capital and operating expenditures for each operational department prior to funding transfers or subsidies.

9. **Insurance:** The City and the Borough presently carry general liability and other insurance coverage through different carriers. The transition to a consolidated government will not necessarily require a change in insurance carriers. The transition to a new government with regard to insurance coverage will be simplified by the fact that the Ketchikan Gateway Borough and the City of Ketchikan presently retain the same broker to secure such coverage.

10. **Taxation:** The Borough currently collects local taxes. The collection of local taxes by the borough will not be affected by consolidation. The distribution of these taxes may change.

In accordance with AS 29.45.240(b), the consolidated Municipality will set the property tax levy on or before June 15, 2006. The property tax levy will be based on the assessment roll certified by the Assembly of the consolidated Municipality in May 2006. The assessment roll will include the assessed values of all real and business personal property located within the former Ketchikan Gateway Borough as of January 1, 2006. The assessed values of the new service area created as a result of the consolidation will also be based on the assessment roll certified in May 2006.

Paragraph (b) of Section 16.06 of the proposed charter of the consolidated Municipality obligates the Assembly, within one year of the first election under the charter, to apply the levy of the former City of Ketchikan's one percent (1%) hospital and other purposes sales tax on an areawide basis throughout the Municipality with the revenues from the areawide levy being appropriated for the Municipality. The ratification requirement of Section 10.05(b) shall not apply to this one percent areawide levy. Paragraph (b) of Section 16.06 of the proposed charter of the consolidated Municipality also obligates the Assembly, within one year of the first election under the charter, to apply one-quarter percent (.25%) of the levy of the former City of Ketchikan's one-and-one-half percent (1.5%) Public Works and other purposes sales tax on an areawide basis throughout the Municipality with the revenues from the areawide levy being appropriated for the Municipality. The ratification requirement of Section 10.05(b) shall not apply to this one-quarter percent areawide levy.

The remaining two-and-one-quarter percent (2 1/4%) of the former City of Ketchikan's sales tax shall be appropriated for the Gateway Service Area. Sales tax levies required by

this section shall remain in effect until changed as provided in this Charter. The express intent of this provision is to permit the Assembly to adjust the City of Ketchikan’s existing one percent Hospital sales and use tax and one-and-one-half percent Public Works sales and use tax, in order to fund existing services on an areawide basis. The provision is not intended to grant the Assembly the ability to levy any new sales and use taxes. The former City of Ketchikan’s one percent (1%) Hospital Sales Tax will be terminated effective the first day of the consolidated Municipality’s initial fiscal year. Concurrently a one percent (1%) areawide Hospital Sales Tax will be assessed as a borough-wide sales tax to fund the consolidated Municipality’s areawide Hospital and Mental Health/Substance Abuse powers.

The former City of Ketchikan’s one-one-half percent (1.5%) Public Works Sales Tax will be terminated effective the first day of the consolidated Municipality’s initial fiscal year. Concurrently a one-quarter percent (.25%) areawide Public Works Sales Tax will be assessed as a borough-wide sales tax to fund the consolidated Municipality’s areawide Public Works. A one-and-one-quarter percent (1.25%) Public Works Sales Tax will be assessed in the Gateway Service Area to fund that service area’s Public Works.

Effective the beginning of the initial fiscal year, the former City of Ketchikan’s one percent (1%) Public Safety Sales Tax will be terminated and replaced by a Gateway Service Area one percent (1%) Public Safety Sales Tax, in order to fund services provided by the Gateway Service Area.

Effective the beginning of the initial fiscal year, the City’s six percent (7.0%) and the Borough’s four percent (4.0%) transient occupancy tax will be terminated. Transient Occupancy Taxes will be assessed by the consolidated Municipality on an areawide basis at the rate of seven percent (7.0%) effective the first day of the consolidated Municipality’s initial fiscal year.

G. IDENTIFICATION OF CITY DEBT: The following is a list of the long-term debt of the City proposed to be dissolved through consolidation:

Bond Issue, Principal Amount, Annual Payment, Date When Fully Paid

City of Ketchikan, General Obligation Bonds			
1994 Series Port,	\$ 2,880,000	\$ 284,000 - 299,900	2013
1997 Series Hospital	\$ 10,100,000	\$ 864,000 - 895,000	2017
Municipal Utility, Revenue Bonds			
Series V,	\$ 6,920,000	\$ 713,355 - 718,598	2014
Series T,	\$ 13,700,000	\$ 730,515 - 1,360,515	2017
Series U,	\$ 7,695,000	\$ 436,365 - 941,865	2012

H. IDENTIFICATION OF BOROUGH DEBT: The following is a list of the long-term

debt of the borough proposed to be dissolved through consolidation:

Areawide

Bond Issue, Principal Amount, Annual Payment, Date When Fully Paid

Ketchikan Gateway Borough, General Obligation Bonds

1996 Indoor Rec Center,	\$6,130,000	\$	683,150 -799,650	2009
1999 School,	\$7,595,000	\$	653,430 - 660,256	2019

Municipal Revenue Bonds

NONE

Nonareawide

None

Service Area

NONE

I. INTEGRATION OF CITY AND BOROUGH DEBT: The following is an explanation of the manner in which the debt will be integrated into the consolidated Municipality. Specifically included is an explanation of the manner in which the debt of the existing City to be consolidated will be paid. Upon consolidation, the debts of the City and the Borough will be assumed by the new consolidated Municipality. Integration of the debt will take place as described below:

General Obligation Bonds:

PORT IMPROVEMENTS, SERIES 1994 - \$6,500,000: This bond was issued to finance improvements to the City's port facilities. Debt service for this bond is currently provided by revenues earned from port operations. Under the consolidated Municipality, the debt will become an areawide obligation of the borough and debt service will continue to be provided by revenues from port operations.

HOSPITAL CONSTRUCTION, SERIES 1997 - \$10,700,000: This bond was issued to finance improvements to the municipally owned hospital. Debt service is currently provided by a one percent (1%) City sales tax. Upon consolidation, this debt will become an areawide debt of the Municipality of Ketchikan. Under consolidation, the one percent (1%) City sales tax would be eliminated in favor of a one percent (1%) areawide sales tax. Proceeds from the new one percent (1%) areawide sales tax will be used to provide for debt service on this bond issue, other hospital facility improvements, health care services and general government.

INDOOR RECREATION CENTER SERIES 1996 - \$7,500,000: This bond was issued to finance the construction of the Gateway Indoor Recreation Center. Debt service is currently provided by a one-half percent (.5%) Borough sales tax. Under consolidation, this borough sales

tax would continue to be assessed against consumer sales taking place within the boundaries of the consolidated Municipality for the purpose of providing for the annual debt service on this bond issue.

SCHOOL IMPROVEMENTS, SERIES 1999 - \$7,560,000: This bond was issued in December of 1999 to finance improvements to local school facilities (Valley Park & Houghtaling). Seventy percent of the debt service will be reimbursed by the State of Alaska under its School Debt Program. The balance of the debt will be provided by the Land Trust Repair and Maintenance Fund. The debt will become an areawide obligation of the consolidated Municipality.

SCHOOL IMPROVEMENTS, SERIES 2000 – \$9,055,000: This bond was issued in December of 2000 to finance improvements to local school facilities (Fawn Mountain). Seventy percent of the debt service will be reimbursed by the State of Alaska under its School Debt Program. The balance of the debt will be provided by a .5% sales tax approved by the voters and instituted effective July 1, 2004. The debt will become an areawide obligation of the consolidated Municipality.

SCHOOL IMPROVEMENTS, SERIES 2003 - \$7,560,000 This bond was issued in December of 1999 to finance improvements to local school facilities. Seventy percent of the debt service will be reimbursed by the State of Alaska under its School Debt Program. The balance of the debt will be provided by a .5% sales tax approved by the voters and instituted effective July 1, 2004. The debt will become an areawide obligation of the consolidated Municipality

Revenue Bonds:

AIRPORT/FERRY TERMINAL IMPROVEMENTS, 2001, SERIES A & B - \$1,725,000 and \$2,525,000 respectively: These bonds were issued to finance improvements to the terminal facilities at the Ketchikan International Airport and the acquisition of a replacement vessel for the airport ferry system. Upon consolidation, this debt will be an areawide obligation of the Municipality of Ketchikan. Debt service will be provided from the proceeds of a federal passenger facilities charge against passengers using the Ketchikan International Airport facilities.

The following revenue bonds were issued by the City on behalf of Ketchikan Public Utilities, which is owned and operated by the City, for the purpose of financing improvements to Ketchikan Public Utilities' electric, water and telephone utilities. These bonds are secured by, and **only by**, the revenues of electric, water and telephone utilities.

MUNICIPAL UTILITY REVENUE BOND, SERIES T - \$13,700,000: This bond was issued to finance the construction of improvements to the municipal electric utility system. Annual debt service for this bond is currently provided by the combined revenues of the City's municipally owned electric, telephone and water utilities, Ketchikan Public Utilities. Under consolidation, ownership of Ketchikan Public Utilities will transfer to the consolidated Municipality. Annual debt service would continue to be made from the combined revenues of Ketchikan Public Utilities.

MUNICIPAL UTILITY REVENUE REFUNDING BOND. SERIES U - \$7,790,000: This bond was issued to partially refund Municipal Utility Revenue Bonds, Series R. Annual debt service for this bond is currently provided by the combined revenues of the City's municipally owned electric, telephone and water utilities, Ketchikan Public Utilities. Under consolidation, ownership of Ketchikan Public Utilities will transfer to the consolidated Municipality. Annual debt service would continue to be made from the combined revenues of Ketchikan Public Utilities.

MUNICIPAL UTILITY REVENUE REFUNDING BOND. SERIES V - \$6,250,000: This bond was issued to partially refund Municipal Utility Revenue Bonds, Series S. Annual debt service for this bond is currently provided by the combined revenues of the City's municipally owned electric, telephone and water utilities, Ketchikan Public Utilities. Under consolidation, ownership of Ketchikan Public Utilities will transfer to the consolidated Municipality. Annual debt service would continue to be made from the combined revenues of Ketchikan Public Utilities.

The rating agencies, the bond insurance companies and the paying agents will have to be notified that the City and the Borough no longer exist and that their debt has been assumed by the consolidated [Borough] Municipality. The consolidated Municipality will also have to comply with SEC Rule 15c2-12(b)(5) which requires that information regarding material events, such as a change in the identity of a bond issuer, be disclosed with a nationally recognized municipal securities information depository.

J. INTEGRATION OF CITY AND BOROUGH ASSETS: In accordance with the schedule set forth in paragraph F of this Transition Plan, all assets of the City to be consolidated will become assets of the Municipality of Ketchikan. According to the most recent published information available, as of December 31, 2002, the financial, real estate and fixed assets of the City totaled \$268,773,722. As of June 30, 2002, the financial, real estate and fixed assets of the Borough, including the School District (\$7,903,795), totaled \$176,981,070. Upon consolidation, the real estate and fixed assets of the City and Borough will be transferred to the consolidated Municipality.

Assets of the former Borough that were reserved for the benefit of the former Borough's service areas will continue to be reserved for those service areas that continue under the consolidated Municipality.

As detailed below, however, certain assets and their associated liabilities, if any, of the former City will be reserved for the exclusive benefit of and use by the Gateway Service Area.

Services provided exclusively to the Gateway Service Area include fire suppression, police protection, solid waste collection, wastewater treatment, public works-engineering, public works-streets maintenance, public works-building maintenance, public works garage and warehouse, and water. Physical assets to be retained by the Gateway Service Area are

detailed below:

Assets that will be reserved to provide fire suppression services to the Gateway Service Area include three fire stations, all fire trucks and support vehicles, one fireboat, and all office and operating equipment presently used in the fire suppression efforts by the Ketchikan Fire Department.

Assets that will be reserved to provide police protection services to the Gateway Service Area include one police station, the police vehicle fleet, and all office and operating equipment presently used in the police protection efforts by the Ketchikan Police Department.

Assets that will be reserved to provide solid waste collection services to the Gateway Service Area include refuse collection packers and other support vehicles, and other office and operating equipment presently used in the City's solid waste collection efforts. Fees for services will be assessed against the users of solid waste collection services.

Assets that will be reserved to provide wastewater collection, treatment and discharge services to the Gateway Service Area include secondary treatment plant facilities, pump stations, collection systems, rolling stock, and other office and operating equipment presently used in the City's efforts to collect and treat wastewater. Fees for services will be assessed against the users of wastewater collection and treatment services. Since wastewater collection, treatment and discharge will be provided on a nonareawide basis, these assets will be transferred to the consolidated Municipality.

Assets that will be reserved to provide public works-engineering services to the Gateway Service Area include support vehicles and all office and operating equipment presently used in the public works-administration efforts by the Ketchikan Public Works Department. The Public Works Department will provide engineering services outside the Gateway Service Area. Such services will be billed accordingly as an inter-divisional charge or as a direct charge to an areawide function or service area.

Assets that will be reserved to provide public works-streets maintenance services to the Gateway Service Area include rolling stock, operating equipment, and supplies inventory presently used by the Ketchikan Public Works Department to maintain city streets. The Public Works Department may provide street maintenance services outside the Gateway Service Area. Such services will be billed accordingly as an interdivisional charge or as a direct charge to an areawide function or service area.

Assets that will be reserved to provide public works-building maintenance services to the Gateway Service Area include support vehicles and operating equipment presently used in the building maintenance efforts of the Ketchikan Public Works Department. The Public Works Department may provide building maintenance services outside the Gateway Service Area. Such services will be billed accordingly as an inter-divisional charge or as a direct charge to an areawide function or service area.

Assets that will be reserved to provide public works-garage and warehouse services to the Gateway Service Area include facilities and operating equipment presently used to maintain City-owned vehicles and store maintenance inventories. The Public Works Department will provide garage services outside the Gateway Service Area. Such services will be billed accordingly either as an interdivisional charge or as a direct charge to an areawide function or service area.

Exhibit F lists the City's financial assets as of December 31, 2003. Those assets specifically not reserved to the Gateway Service Area shall be remitted to the consolidated Municipality as of the first day of the consolidated Municipality's initial fiscal year.

More detailed information regarding the integration of the City and Borough assets can be found in Exhibit F, Three Year Annual Budget and Financial Plan and Exhibit F-3, Disposition of City and Borough Assets and Liabilities.

K. EXISTING TAXES: The type and rate of each tax currently levied by the City and Borough proposed to be consolidated is listed below:

City Taxes:

<u>Tax Type</u>	<u>Tax Rate</u>
Real and Personal Property	6.4 mills
Sales	3.5%
Transient Occupancy Tax	7.0%

Borough Taxes:

<u>Tax Type</u>	<u>Tax Rate</u>
Borough Areawide Real and Personal Property	7.5 mills
Borough Nonareawide Real and Personal Property	1.2 mills
Sales	2.5%
Nonareawide Transient Occupancy	4.0%

EXHIBIT J-1

**Recommendations to the newly elected Municipal Assembly
from the Ketchikan Charter Commission**

EXHIBIT J-2

**SAMPLE OPERATING BUDGET SUMMARY
SHEET**

EXHIBIT J-3

Excerpt of Minutes, Public Hearing

August 13, 2004

EXHIBIT J-4

**Excerpt of Minutes, Public Comments & Hearing
August 20, 2004**

EXHIBIT J-5

**Excerpt of Minutes, Public Hearing
August 28, 2004**

EXHIBIT J-6

**Excerpt of Minutes, Public Hearing
September 17, 2004**

EXHIBIT J-7

**Excerpt from the City Council Minutes of August 19, 2004
And
Minutes, City Council Special Meeting To Discuss the 2004 Draft
Consolidation Petition, August 23, 2004**

EXHIBIT J-8

**Correspondence with Alaska Department of Public Safety
And
Correspondence with the Alaska Department of
Transportation/Public Facilities**

EXHIBIT J-1

**Recommendations to the newly elected Municipal Assembly
from the Ketchikan Charter Commission**

EXHIBIT J-1 RECOMMENDATIONS TO THE NEW ASSEMBLY

The following is a list of action items for the new consolidated Assembly to address. They are not listed in any order of priority. These were specific concerns that were discussed by the Charter Commission but were deemed beyond the scope of our task to simply consolidate the two governments. They do, however, represent areas where better use of public resources, both human and financial, could sustain or enhance public services while minimizing costs to the taxpayers and creating more equitable allocations of those costs:

- ✓ The Ketchikan City Manager is also the manager of Ketchikan Public Utilities. It is questionable whether this arrangement would be appropriate under a consolidated municipality given the increased responsibility of the municipal manager.
- ✓ Ketchikan Public Utilities is currently comprised of electric, telecommunications and in-City only water. There is concern that these individual utilities are cross-subsidizing one another. This practice masks the true consumer costs and, in the case of the water utility, potentially creates an unfair subsidy of the Gateway Service Area by the general municipality.
- ✓ Some enterprise funds, for instance the airport, do not appear to be charged a Payment In Lieu Of Taxes (PILOT) and others that do are arbitrary.
- ✓ The powers to collect and dispose of solid waste are separate. It is often more efficient to combine these powers and provide them on an areawide basis, however the borough has rejected mandatory collection in the past.
- ✓ The cost to provide 911 Dispatch is over \$500,000 per year while generating only about \$100,000 in revenues. These costs and revenues associated with 911 Dispatch should be reviewed. It is likely that 911 dispatch should be ancillary to police and/or fire dispatch which is provided solely within the Gateway Service Area.
- ✓ Public transit is operating at a significant deficit and ridership appears to be minimal. This operation should be revamped to match service provided with actual demand (need).
- ✓ Police powers were restricted to the Gateway Service Area due to cost and the desire to avoid the tendency of the State of Alaska to minimize trooper jobs in Ketchikan. It is noted that Ketchikan is the southern headquarters for the Troopers, so this concern may be unwarranted.
- ✓ Fire protection and EMS response has been limited to service areas. The roaded areas of the Borough all have some level of fire protection. The commission

debated at length the efficiency of having areawide fire and EMS, however the level of service disparity and the costs, combined with political considerations, did not make this a feasible choice. The local fire departments conduct joint training and have mutual aid agreements in place. This issue should be continually monitored in the future for consolidation of the departments as conditions warrant that would increase service and efficiency.

- ✓ Sanitary sewer service will be exercised on an areawide, nonareawide or service area basis at the direction of the Assembly. The overall provision of service, service levels, and associated fees should be re-evaluated to insure equity in costs versus service provided and public health issues and efficient use of assets (for example, both the current borough and city own a sludge pump truck where one might suffice).
- ✓ Many functions of the Gateway Service Area's public works department will be duplicates of areawide functions. These duplications in materials and personnel should be examined for cost efficiencies, especially facility and vehicle maintenance.
- ✓ There are disparities in wages and benefits between the City and Borough and these will need to be addressed. Additionally, the cost of insurance and PERS appear to be climbing annually at high rates. The insurance may be able to see some relief due to the larger entity, while the ever-increasing cost of PERS should be evaluated.
- ✓ The labor and staffing were minimally adjusted in the proposed budget. During the second year and beyond, there should be significant savings in staffing due to reduced workload. (It is anticipated that the workload in the first year after consolidation would be such that no reduction in staff would be feasible. In future years, the workload should ease somewhat.) A reduction in staff is indicated and the preferred method to accomplish this will likely be attrition.
- ✓ Sales taxes should be re-evaluated and policies overhauled. There are different rates in the Gateway Service Area and the borough at-large. There are senior citizen and other exemptions as well as a cap. This makes for difficult management, collection and confusion on the part of business owners to comply with the various rules and policies.
- ✓ The Gold Nugget Service Area has been running at a deficit for quite some time. The services and costs should be re-evaluated and reset if necessary.
- ✓ The vehicle maintenance facilities of the current Borough, Airport, School District, KPU and Public Works should be combined to effect savings and efficiencies.
- ✓ Not only should KPU have a separate manager and the Water Department moved into the area served, the Assembly should consider an elected board (not advisory)

to govern KPU and take it out of the over-all political arena.

- ✓ The Assembly should consider an elected advisory board for the Gateway Service Area. One staff person responsible for the oversight of all the service areas would be insufficient without a strong board for this largest and most complicated service area.
- ✓ Service area boards have felt un-heeded in the past. The new Assembly should be prepared to listen to the advice and desires of the service area boards and allow the citizens to make the decisions concerning their areas.
- ✓ The Assembly should consider a seasonal areawide tax hike to help offset the impact of the summer influx of persons into the community. The Ports & Harbors have the user fees to help offset their increased staffing and duties associated with the summer season, but the streets and library/museum and other public entities must rely on the same taxation rate year-round to offset the increased usage of facilities.
- ✓ Another area that should be scrutinized is the divestiture of KPU. The spinning off of the two utilities, Electric and Telecommunications, making them rate-payer owned public utilities may be of benefit for the community and takes them out of the politics that now affect them so much. True, it would probably come under regulations it does not now come under, but it is time. Technology is changing very rapidly and before we know it the current KPU infrastructure will be obsolete, and may already be so; now is the time to put it into the private sector where it belongs. The ratepayers have paid for the infrastructure and development of the utilities and should be the ones that benefit from this spin-off. In this way, if they are sold the ratepayers get the money, not the government.
- ✓ Establishment of the Port of Ketchikan, with the airport, the airport ferry, the ports and harbors department and the Ward Cove Industrial Park, along with other appropriate Borough and City properties should be considered. This would provide an opportunity for the development and coordination of the industrial and transportation infrastructure and other opportunities in the new municipality, on an area-wide basis. The ports of Tacoma, Seattle and Anchorage are all examples of what a port authority can do and could do in Ketchikan, given the right assets and managed as a business.

EXHIBIT J-2

**SAMPLE OPERATING BUDGET SUMMARY
SHEET**

EXHIBIT J-2

The following schedule is based, in general, on the First Year projected operating budget for the consolidated municipality. Due to the complexity of the two budget systems, the figures are a close approximation and presented for illustrative purposes only.

**Operating Budget Summary
Municipality of Ketchikan
Year One**

	Direct Revenue	Direct Expense	Net
General Fund			
Mayor and assembly		486,981	(486,981)
Municipal attorney		497,453	(497,453)
Municipal clerk	10,404	323,110	(312,706)
Manager		965,858	(965,858)
Planning and zoning	32,773	606,847	(574,074)
Finance		2,712,030	(2,712,030)
Assessment & Risk Mgmt	104	489,976	(489,872)
911 emergency dispatch	104,040	582,624	(478,584)
Animal protection	30,692	294,633	(263,941)
Library	213,396	1,156,179	(942,783)
Museum	223,166	759,552	(536,387)
Recreation	464,903	1,264,161	(799,258)
Civic Center	98,838	299,227	(200,389)
Public works - cemetery	1,457	66,169	(64,713)
Public works - maintenance and operations	18,727	1,228,192	(1,209,465)
Public works - buildings		188,011	(188,011)
Transit	280,908	541,739	(260,831)
Education	8,064,310	8,064,310	-
Grants		110,415	(110,415)
Capital Expenditures		630,359	(630,359)
Non-departmental	10,454,306	216,908	10,237,398
TOTAL	19,998,024	21,484,737	(1,486,714)
Gateway Service Area (Former City of Ketchikan)			
Fire	1,182,904	1,738,763	(555,860)
Police	1,182,904	3,472,867	(2,289,963)
Public works - engineering	1,230,989	815,733	415,256
Public works - streets	1,252,185	1,252,185	-
Public works - garage	436,169	436,169	-
Public works - buildings	62,670	62,670	-
Public works - solid waste collection	840,562	675,939	164,624
Capital Expenditures		1,017,570	(1,017,570)
Non-departmental	3,414,852		3,414,852
TOTAL	9,603,235	9,471,895	131,339

EXHIBIT J-2, Page 2

The following schedule is based, in general, on the First Year projected operating budget for the consolidated municipality. Due to the complexity of the two budget systems, the figures are a close approximation and presented for illustrative purposes only.

**Operating Budget Summary
Municipality of Ketchikan
Year One**

	Direct Revenue	Direct Expense	Net
Ketchikan Public Utilities			
Electric	15,700,937	14,351,142	1,349,794
Telephone	12,708,798	9,291,714	3,417,085
Water	1,833,757	1,714,272	119,485
Non-departmental	494,190	5,297,148	(4,802,958)
TOTAL	30,737,682	30,654,276	83,406
Hospital Sales Tax Fund	2,605,134		2,605,134
Transient Occupancy Tax Fund	380,688	268,158	112,530
Recreation Sales Tax Fund	1,034,086	1,089,914	(55,828)
Solid Waste Services Fund (Disposal)	1,812,377	1,854,321	(41,944)
Wastewater Services Fund	2,637,620	2,659,784	(22,164)
Economic & Parking Development Fund	343,620		343,620
Ketchikan Boat Harbor Fund	889,010	963,340	(74,330)
Mental Health Fund	1,780,497	2,102,332	(321,835)
Substance Abuse Fund	1,017,444	1,512,711	(495,268)
Special Assessment Guarantee Fund Surplus	2,550		2,550
US Marshall Property Seizure Fund Surplus	125		125
State and Federal Grant Fund	25,000	25,000	-
Cemetery Operations & Maintenance	7,500		7,500
Cemetery Development Fund	16,900	25,000	(8,100)
Cemetery Endowment Fund	2,500		2,500
Community Facilities Development Fund	2,000		2,000
Land Trust Repair & Maint Fund	1,110,839	61,805	1,049,034
North Tongass Fire & EMS	495,772	454,771	41,001
South Tongass Service Fire & EMS	446,273	402,263	44,010
Nichols View Service Area (Water)	400	500	(100)
Waterfall Service Area (Roads)	5,720	8,600	(2,880)
Mud Bight Service Area (Roads)	8,700	500	8,200
Forest Park Service Area (Roads)	54,139	60,822	(6,682)
Gold Nugget Service Area (Roads)	7,982	10,175	(2,194)
GO Debt Service Fund (School Bonds)	3,518,832	4,419,378	(900,547)
Major Capital Improvements Fund	68,347		68,347
Self Insurance Fund	3,401,524	3,489,174	(87,650)
Port Fund	8,057,510	1,902,088	6,155,422
Airport Fund	3,435,791	3,528,534	(92,743)
Passenger Facilities	474,369	472,058	2,311
TOTAL	93,982,188	86,922,138	7,060,050

EXHIBIT J-3
Excerpt of Minutes, Public Hearing

August 13, 2004

I-1 Recess the meeting into Public Hearing. Note: During the time set aside for the Public Hearing, the Commissioners may discuss items concerning the Draft Petition and Exhibits, assign specific tasks or work on individual assigned tasks when there is no one testifying. As with a work session, no action may be taken and formal rules of order are relaxed.

M/S OTTE/FINNEY to recess into Public Hearing in order for the citizens of the community to bring their comments and concerns regarding the Commission's draft Petition to the Commission.

A unanimous voice vote was taken on the motion and the Commission went into Public Hearing.

Ron Stout, 796 Kayan Street, said he'd been checking on what the Commission had been doing and he said he thought the Commission has done a remarkable job and his opinion is that if people don't vote for consolidation, he said he thinks they either don't know what's going on, or they are part of the problem. He said he couldn't see why it shouldn't go through and he said, again, that he thought the Commission had done a remarkable job and he thought there should be praise for that. Mr. Stout said this community needs it (consolidation). He said he believed that the people need it. He indicated that a lot of people call him an outsider because he's only in Ketchikan 6 months out of the year, but he said it gives him a little better perspective on what everyone up here does compared to what's down south and being in this community just for that six months, there is a totally different attitude than a lot of people do and deal with a lot more and it just seems to him that this community deserves something without having to have all the hassles that everyone's had to go through.

Marvin Hill, 808 Forest Park Drive, said having attended almost as many meetings as the Commissioners, he said he appreciated the time and effort and the amount of work that has gone into it. It's an undertaking where most people don't realize how much time you've spent and he said good work and thank you.

OTTE asked Mr. Hill if he had any specific opinions about any of the things that have been discussed. He said he hadn't gone all the way through the Draft Petition yet. He said he was sure the Commission would hear from him if he finds something to comment on.

FINNEY thanks Mr. Hill for his input and for sitting through most of the meetings with the Commission.

PAINTER reminded Mr. Hill that this was only the first of three Public Hearings.

Tom Caffrey, 929 Stedman Street, said he only had a couple of comments to address to the

Commission. First, he said he and his wife were in favor of consolidation, as many of the City residents were as was seen in the past and for a lot of the same reasons. The thing that was concerning him a little bit that the built-in tax increase that was figured into the process and he felt that there had been a lot of pressure on the Commission to do this, but he said that would be a major hurdle in the deal.

PAINTER and OTTE both indicated to Mr. Caffrey that the newspaper made it sound like there was a tax increase outside the City, but it was the Library tax of .93 that has been nonareawide and collected separately, just added into the areawide mill levy. PAINTER said there would be a clarification to the newspaper article. He also added that under the current structure, Saxman does not contribute to the nonareawide .93 tax for funding the Library, but after consolidation, the tax will be areawide and everyone will contribute to the Library. Mr. Caffrey said that in his opinion, no new taxes is the way the Commission should go to get it sold.

MCCARTY said that to a large extent, the Commission has been trying not to make a lot of differences in the prior petition and even more to the point, of trying to maintain the status quo. He said the Commission didn't want to try to create something dramatically different from what is currently being done unless there was an area where there seemed to be a lot of pressure for the Commission to address a problem and change it.

Mr. Caffrey thanked the Commission for the good work.

George Tipton, 2429 Fifth Avenue and member of the Borough Assembly, indicated he had forgotten his list of notes at home, so wouldn't be speaking long at this Public Hearing. Mr. Tipton said that he is confused about the Petition, page 4; it talks about tax types areawide.

The first questions that are going to come up are where does the 8.43 mill property tax come from and how does the 3.75% sales tax come into being. He said he knew where to look for the explanation, but it would help everyone if there were something right at the front to see what the current tax levels are and what they will be under consolidation, with a reference as to where explanatory information can be found in the rest of the document.

Mr. Tipton said he knew the explanations, but he thought a quick break-down showing where the 1.5% Public Works Sales Tax was reduced to 1.25% and the .25% was carried to the areawide sales tax would be beneficial for those who won't be reading the whole document. He said the biggest thing that will sell the effort is the money.

OTTE said that it had been discussed to put a small chart in the paper as an ad for the Public Hearings and that could also probably be the base for the insert into the Petition.

Mr. Tipton wanted to know how many people would go beyond looking at the Petition and the budget. He said that the other stuff is semantic things that the Commission has spent a long time trying to get ideal and a small percentage will look at that for the legalese or for it personally would affect them, but the overall perspective is that the important things are the Petition and the budget.

PAINTER said that if the equation of existing 7.5 plus the nonareawide .93 were indicated and then shown together in another column, it would explain a lot to people. He also indicated that there would be a clarification in the newspaper on the misconception that was fostered in the article that Friday.

MCCARTY said that basically what could be done is right where it says Borough Areawide Real and Personal Tax; you could put below that in parenthesis, current 7.5 plus .93 Library now 8.43. Mr. Tipton said that there was the other side of the City at 6.4 and where does the deficit 6.4 to 7.5 come. He said he understands, but a lot of people won't, and when the bulk of the voters are on the City side and are looking at the larger increased side of why and where the variance comes into play.

HARRINGTON said that it is clear that the only tax increase that is there is a minor is the areawide sales tax outside the Gateway Service Area increases the .25% and the Gateway Service Area's Public Works Sales Tax decreases from 1.5% to 1.25%. And the Hospital 1% sales tax goes areawide. Those are the only increases outside the Gateway Service Area.

MCCARTY said that might be something to put right there is to say the only increase in taxes proposed is the switch of the 1.25% sales tax to areawide.

Mr. Tipton wanted to know if there was currently a little example past the Petition where there could be a reference to a certain Exhibit and page that would be something as simple as showing an example of the current sales tax revenue for both the City and the Borough. Then take the same example and show the tax revenue for the Gateway Service Area and the Municipality and why the new number will generate a similar amount for the government. People have a hard time understanding that differentiation because one is both sides and one is not.

OTTE asked Mr. Tipton to email Chair THOMPSON, who was not in attendance at the meeting, and explaining what he envisioned for the document. Tipton said that the Commission got the gist of what he was saying and that anything relating to numbers should have more clarity, examples and/or definitions. A lot of people will only look at what they know and what they deal with, but trying to deal with government accounting, as everyone there knows, is a whole different entity.

EXHIBIT J-4
Excerpt of Minutes, Public Comments & Hearing

August 20, 2004

C: PUBLIC COMMENTS AND**AUGUST 20, 2004****D. INFORMATIONAL REPORTS AND/OR COMMISSION PRESENTATIONS**

Karl Amylon, City and KPU Manager, 3847 Denali Avenue, spoke to the Commission regarding a meeting he and Director Newell had that morning with Chair Thompson where they discussed the proposed 3-year budget and transition plan. Mr. Amylon had prepared a memorandum to the Commission (Note: attached to the end of the minutes) and spoke from that memorandum for a few minutes indicating the ensuing comments were from staff only and were not to be construed as having come from the City Council who would be meeting in special session to discuss the Draft Petition and further comments may be forthcoming.

Briefly, Mr. Amylon covered the standards for consolidation as set by the State. He said City staff felt that the Budget for the proposed Municipality did not meet those standards. He then cited specific examples (see attached memorandum). He said that not only would corrections be necessary for submittal to the LBC, but to give the voters an accurate picture of the consolidation effort.

He noted factual or calculation errors within the document; the material assumptions or the failure to address other known conditions known to exist; and finally, the equity to the Commission's approach in structuring and funding the proposed Municipality of Ketchikan. Funding shortfalls were pointed out. Specifics were noted.

He said he wouldn't take the time to go over each of the concerns that were addressed in the memorandum and copies of the memo and a preliminary spreadsheet were distributed to the Commissioners. From the analysis, he said he felt there were still a number of issues that the Commission must review and address prior to submitting the Petition to the LBC. He said the comments were preliminary only and that with time, other concerns would likely be identified.

If the concerns are not satisfactorily addressed, the Petition fails to meet the statutory requirements and the LBC would likely require that the Commission and/or Borough deal with them prior to the Petition's approval. More importantly, in the current form, the Petition does not provide the voters with an accurate assessment of the impacts of consolidating the City and the Borough.

Mr. Amylon said he'd stated to the Commission a few weeks past, the Commission faces the same problems that the City did in trying to balance the interests of City residents versus non-City residents. Despite the recent increases in Borough property and sales taxes, the financial resources that were available three years ago have diminished significantly. If it is the Commission's contention that consolidation will only pass by maintaining a reasonable tax structure for all borough residents, then the Commission is ultimately confronted with determining what services will be necessary for the consolidated borough and what services

He went on to say that simply modifying the City's petition will not suffice. If the Commission is not prepared, or is unwilling to undertake such an exercise, he said it will, in his opinion, be difficult, if not impossible to meet the expectations that may exist among most Ketchikan residents. To that end, he said it was his hope that the Commission's goal will be to provide the facts and let the voters ultimately decide whether consolidation is in the best interest of the community.

Mr. Amylon again expressed his appreciation for the Commission's efforts to date and that he and Mr. Newell were prepared to work with the Commission as September 30th comes nearer. He said that the information that will be provided will shed some light on the themes that he'd try to convey that evening.

MCCARTY asked that just addressing the practicalities and not the political question of what is better, there has been a position taken by the Commission on the tax cap that whatever the numbers might be, that approximately 1/2 mill cushion was what the cap was. The thought was that there could be elections in place, if a budget couldn't be put together with the money available, then there could be an election to up the cap and cover the budget.

Within that, just looking at the mechanics, is 1/2 mill (\$500,000) enough room realistically with the things that spring up and secondly, in looking at trying to compile a budget on the typical schedule that's followed, can the budget be anticipated and get an election in place if needed? MCCARTY indicated that he wasn't trying to get Mr. Amylon or Mr. Newell to get into the politics; just the practicalities.

Mr. Amylon said he'd try to answer that in two parts. He said he thought before the Commission could entertain any type of cap, there has to be understanding as to where things stand in terms of what ultimately will be the proposed mill levy that will come out of this process. Then it is a question of whether the Commission and the voters think that a cap is reasonable. He said he had two thoughts; inherent in establishing the base, the council will be getting comments from the City Attorney, he said he wasn't sure he had a handle on the language in the Draft Charter relative to how the cap is or is not applicable to debt. If the intent is that the new Assembly could fund up to 9 mills of operations and any debt service above that is not subject to the cap, that's one thing. He said it was unclear to him what the intent was. Again, not speaking for the Council, but speaking as the "nuts and bolts" guy, he said he would just use as an example what the State has done to the City on PERS. Those costs are going up significantly. When those expenses are added into other cumulative considerations such as health insurance, liability insurance and anything that could come along in a given finite period of time, six months isn't all that long, in terms of a budgeting process that can reasonably anticipate unforeseen events. It can get very cumbersome very quickly if the Borough (Municipality) is in a position of having to exceed a charter-mandated cap and then having to go to the voters to get that cap amended in order to meet the budget parameters.

MCCARTY interjected with an example of health cost increases with the School District and those are the kinds of things that there is no control over.

Mr. Amylon said that in the memorandum were listed some details about PERS, different types of insurances and why they thought that the numbers being used in the Draft budget were too low. He said he could tell the Commission that the numbers aren't developed over an extended period of time. The government is subject to market spikes, just like the private sector. An assumption cannot be made that just because it's government, those factors that hit go along at a snail's pace, 2% here or 2% there. The government is just as much subject to dramatic increases in costs. The legislature wiped out revenue sharing in one session and budgets were already in place. The City was fortunate enough to have the capacity to absorb that, but again, if the Commission gets into caps, it's a policy decision for the Commission after a consultation with the Council and the Assembly.

Mr. Newell indicated he wanted to affirm what Mr. Amylon had just said. 1/2-mill generates about \$500,000 and there are a lot of outside forces that are influencing the cost of local government. As was referred to, the State revenue sharing cost the City \$400,000 and you add that in with the potential PERS increase of \$400,000, that makes \$800,000 in the hole in less than 2 years. He said there is no control over either of those things. Things can change quickly and he said he didn't know if there would be enough time to go to the voters to get the cap changed so that cover those costs over which there is no control.

PAINTER said that when the debate occurred over the voter-approved tax mill increase one of his concerns was having a year-end at the end of June, the government is dependent upon the outcome of the legislative session to see what kind of revenue sharing there would be for public education and that scenario was discussed going backwards and he said that if a millage rate increase through election was to occur, it would have to happen around the first part of April. He asked Mr. Amylon and Mr. Newell what their views whether it was possible from a management standpoint to foresee, or have reserves to cover, funding cuts from the State.

Mr. Amylon said he would be as politically correct as he could. As managers, they are equipped to do certain things. He said that near the end of the last legislative session it was pretty apparent that there would be supplemental education funding put in the budget. That could have happened in late June or in a special session. By that point, the Borough budget and school budget would have been fixed and the levies would have been set and if there had been a cap in place, who knows what would have happened. He went on to say that it's great to think, "you should be able to budget and there should be sufficient reserves, and if it's being done right, there shouldn't be concern about a tax cap." If it were a perfect world, he said he might be able to buy off on that, but as a manager, he said he's subject to the (he indicated this was being put in quotes and being said respectfully) "whims of the elected officials" who may believe that \$500,000 to \$1 million is sufficient in reserves. Or, they could go the other way. The process is such that there is never going to be structure imposed to cover all unforeseen eventualities, given the fact that it's a political process. He

said that, speaking for himself (and he wanted that emphasized), from his perspective, a tax cap is an artificial restriction that is the Commission is trying to put in to achieve a goal, a noteworthy goal at that, to control spending and to look out for the interests of the average taxpayer, but it's awfully unwieldy and it has all the potential in the world of getting whoever the 8 people are going to be at the Municipality of Ketchikan's dais table and the management staff in a real bad situation real quick. He went on to say that the Commission would really be eliminating the flexibility to react to certain situations, in his opinion, because so much of what is done by management is outside their ability to control, either at a Federal, State, or in some cases, a local level. He pointed out the example of the mill shutting down in 97. That had a terrible impact on this community. Granted, he said, it didn't happen over night, but when it really started to coalesce and the effects were becoming apparent, it would have caused some real difficulties if those kinds of restrictions were in place at the time. He said, again, that was just his opinion.

Mr. Newell said that the concept of having sufficient reserves to address some of the things being discussed is a good idea. A lot of municipalities have adopted reserve policies, but the key is whether or not the governing board has the discipline to stick with those policies to make sure that the reserves are there when they are needed. If the discipline is not there and the reserves are not there, then the community is stuck between a rock and a hard place.

PAINTER went on that irregardless whether the Commission sticks to their guns with the voter-approved mill levy increase or go the other way and remove that, the community is still at the discretion of the elected officials and what they decide to spend on, or what reserves they choose to maintain.

Mr. Amylon agreed and said that it was the people at this dais that make the ultimate decisions. He said he didn't know if there's any structure that could be provided in a charter or code that would give the control that the Commission seeks to impose in terms of fiscal discipline.

Mr. Newell indicated he agreed. It takes 4 votes to put something in the Code and it takes 4 votes to turn around and change it.

PAINTER said that Mr. Amylon and Mr. Newell needed to understand where the Commission was coming from. He said the Commission was trying to come up with a document that will meet the standards, but, quite importantly, would be approved by the voters when it gets to that point. He said the attempts in the last 20 years to consolidate the government haven't gotten there.

Mr. Amylon said he didn't disagree. He said he thought that PAINTER was really hitting the main thrust of his comments, and he said he tried to stress this to THOMPSON this morning. The comments that have been offered are not intended to be either pro or negative toward consolidation. He said that what he could tell the Commission, having been through the

process, what is ultimately submitted to the LBC will be gone through with a fine-tooth comb and if it's determined that, either because of simple mathematical errors or omissions, that the 3-year financial plan that has been submitted does not accurately portray what the new borough will look like upon consolidation, it's going to be sent back and he said, in his opinion, the LBC will tell the Commission that certain modifications will have to be made before it will be signed off on it going to the voters. Mr. Amylon continued that this is where he was a few weeks ago when he had indicated that, in his opinion, there aren't the resources available that were present three years ago and whatever is done by the Commission, if it accurately reflects reality, he didn't think the submitted petition will say consolidation will work and the line will be held on taxes, either for the consolidated borough or probably the service area. He said what the Commission will have the ability to do, if the direction is chosen, is to be able to say, "This is what the new borough is going to look like. If consolidation doesn't pass, this is what you can reasonably expect the Borough to look like and this is what you can reasonably expect the City to look like." He said he truly believes that's where the Commission will be compelled to go, either by its own volition or at the direction of the LBC, because if the LBC determines that the budget that's submitted isn't an accurate portrayal of what the new borough will look like, they're not going to sign off on it going to the voters because it wouldn't let the voters vote on something that is misleading. He continued that is why the City had gone to such great lengths to try to present their assessment of the 3-year budget and why we don't think it will reflect what the new borough budget will look like upon consolidation. Alternatively, what the Commission could do is go in, and it's within the Commission prerogative, to say these services are what are felt to be essential and these services are not felt as being essential. That might be a way to get to the budget goal. But, he said, he didn't think the goal was going to be met by tweaking the prior petition and maintaining the status quo. He said he was convinced the numbers wouldn't allow the Commission to do this.

MCCARTY said there seemed to be a strong feeling in the community and on the Commission that there is a benefit of having a cap. He said he didn't know what the number should be to have enough flexibility to meet what realistically happens. Maybe instead of a 1/2 -mill it's a mill, he said he didn't know. He said he didn't know if either Mr. Amylon or Mr. Newell could speak to that. He said that personally, because of the costs of insurance, general costs of doing business, keeping staffing to a minimum and everything else, but because of the loss of Federal, State and other revenues that it would seem to be more realistic what the Commission is looking at when attempting a status quo budget is, the Commission is going to not make the operations more expensive, but there has been a loss of revenues, so what the Commission is looking at is maybe the tax increase, the local burden, the Commission is trying to minimize the increases as opposed to being able to hold the line or decrease. He indicated he didn't know if either Amylon or Newell could touch that, but he was thinking, like take the retirement system and health insurance alone, it's almost a million dollars. That's not that the Commission is making it more expensive, it's just the money has to come from someplace.

Mr. Amylon indicated that's just a reflection of reality. There's nothing the Commission can

do about that and he said, he agrees with the latter half of what MCCARTY said. He said he wasn't in the position of telling the Commission whether a cap should be 1/2-mill or a mill.

That's something the Commission needs to wrestle with. He said he didn't know what the City Council's formal position on that would be. Mr. Amylon continued that he guessed he was a traditionalist. His personal belief is 8 people are elected to the Assembly, they're elected to make decisions. When voter turn-out in recent elections is scrutinized, it's not even close to 50% and if a cap is imposed, he said some consideration should be given to the strong possibility that maybe 25% of the registered voters would be the ones to decide the ultimate parameters of the budget because the minority gets out and pulls the lever and they make the decision, but the 8 people that sit at this table are supposed to be representing all of the community and making the decisions for all of the community.

THOMPSON interjected and asked Ms. Hill if there was anything on which she'd like to testify to under public comment and she indicated no.

I:NEW BUSINESS – PUBLIC HEARING 7 PM. AUGUST 20, 2004

I-1 Recess the meeting into Public Hearing. Note: During the time set aside for the Public Hearing, the Commissioners may discuss items concerning the Draft Petition and Exhibits, assign specific tasks or work on individual assigned tasks when there is no one testifying. As with a work session, no action may be taken and formal rules of order are relaxed.

M/S OTTE/MCCARTY to recess the meeting into Public Hearing. The motion passed by a unanimous voice vote.

Jack Shay, Borough Assembly Member, PO Box 23159, addressed the Commission. He apologized for being tardy, but he'd been unable to find an address, which is terrible because he'd started his career in 1960 as a cab driver.

Mr. Shay said he wanted to commend the Commission for their hard work on the Petition document. He said he'd read virtually all of it except for the metes and bounds area, which he said he'd be unable to comment on anyway. He said he thought it was quite complete and to be specific, he said he'd marked areas for comment.

- ✓ P4 of the Petition – the rate proposed for the areawide tax rate of 8.43 and the sales tax of 3.75% plus the areawide transient occupancy rate. OTTE interjected that the Commission had been in error in setting those property tax rates, in that the nonareawide library was not .93% as was thought, but was 1.2.
- ✓ P 7&8 of the Petition – Mr. Shay said that he liked the statements about the powers, items 4 & 5 talking about conforming to natural geography, including all areas necessary for full development and then also the section about the economy. He said he thought it was well said, talking about human and financial resources both, which are capable of providing the municipal services. He said that throughout the

document, Alaska Statutes and other applicable laws and regulations, which is handy for anyone who wants to do any kind of checking on this. So, good work in that regard.

- ✓ Exhibit A, P3 – There is an interesting statement in the third major paragraph down which says, “There exists two governing bodies and seven departments within the City of Ketchikan and the Ketchikan Gateway Borough that are analogous to one another. He said he wondered how much it took the Commission not to use the word antagonistic instead of analogous.
- ✓ Exhibit A, P4 – Mr. Shay thought the paragraph right under number four was very well written, talking about economic development, long-term planning and things like that. He said he thought that augered well. The governor has asked, and he said he referenced this in another later section as well, when was Ketchikan going to consolidate. Mr. Shay said that had been said to him personally by the governor a number of times, as well as from other legislators. That’s when he was both Senator and Governor. At the bottom, he said he thought that it was well stated when talking about the community’s relationship with the State and Federal governments; “enhance our ability to interact with inter-governmental...” He went on to say that we are going to be at the table with one voice, which he felt helps a lot. He also said that he thought it had been well said. The only downside to that he sees is that the community would lose a vote when at the Southeast Conference and Alaska Municipal League meetings. He said he thought that was quite well-written.
- ✓ Exhibit A, P5 – He pointed out the section that talks about equitable and the management and costs of providing regional community services. He said he thought that was very well written, as well as the paragraphs under Item 6. He said the Commission had spent some real time in crafting these things.
- ✓ Exhibit A-3 – The demographics section was very interesting and the similarity of the persons living inside the City and those residing outside the City limits. He said that he was not aware that there were only a little over .5% of African-Americans. He said more were needed.
- ✓ Exhibit D – He said he’d pondered over this, talking about how the representation should be crafted and he said he was of two minds to begin with, but after reading over the section a few times, he said he thinks the Commission has convinced him. He said he thought the at-large elections was the proper way to go. There are arguments on both sides and he said he’d heard them all, but he said he thought the Commission had done a good job and he thought it was going to be okay; that people were going to embrace that.
- ✓ Exhibit H, P2 – He said he thought that the listing of the redundancies was very good and it’s a good selling point for this entire document to the community. It’s obvious to him, he said, that the estimate of \$1/2 million in savings is well stated and completely defensible. He said it’s going to effect even more efficiencies and economies when talking about combining other things such as the motor pools and various kinds of engineering and other services.
- ✓ Exhibit H, P3 – In the bottom paragraph where it talks about maximizing self government, he said that the Alaska Constitution as originally written is the best of

all the 50 constitutions. He said that curiously enough, the Alaska Constitution, even though we're the 49th state, the State of Hawaii had written their constitution before Alaska had crafted theirs. He said that when he was teaching a class at the University entitled, "Alaska Government and Politics", they had as a speaker none other than Judge Tom Stewart, who served as a Secretary of the Constitutional Convention back in the 50's in Fairbanks. His research is responsible for a whole lot of the admirable elements that are found in the Alaska Constitution. What Judge Stewart had done was he contacted every Secretary of State of all the other 49 states and asked them what they liked about their respective constitutions and what wasn't working. He then presented to the constitutional convention those arguments and proposals. A vast number of these were adopted and Judge Stewart is owed a great debt of gratitude. Mr. Shay went on to say that after Judge Stewart's lecture in his class, a lecture that he was supposed to talk for 2 hours with 1/2 hour for questions, by the time they had gone through, 4 1/2 hours later, the class was agog and one of the members of the class, who happened to be a journalist, said that he'd thought that as Secretary of the Constitutional Convention, the guy only took notes, but, the journalist said, this guy started the State. Mr. Shay went on and said that referencing the Constitution, it encourages self-government and maximizes self-government and maximizes the power to self-govern and gives the municipalities a real feeling of pride and power and responsibility. Mr. Shay said he thought that was reflected in the Commission's document. The Alaska Constitution says, "Bravo", to what is being done here.

- ✓ Exhibit H, P4 – Does the boundary embrace the cited area? Yes, absolutely. In accordance, once again, with Article X of the Constitution. And then near the bottom, in #3, talking about the population being inter-related and integrated as to social and cultural...that's very, very, very true, as near as he can tell and he said he'd lived all over the place.
- ✓ Exhibit H, P6 – Mr. Shay said he wondered what happened to economic development, assessment and planning & zoning, but it's covered later, so he said maybe that list was not an exhaustive list.
- ✓ Exhibit H, P8 – He said that in talking about human rights. It's true that the Alaska Administrative Code talks about denying a person's enjoyment of any civil or political rights because of race, color, creed, sex or national origin. Age is conspicuously missing from that, but he said it might be analogous to refer to the Administrative Code section that talks about employment. In that section of the Code, a person may not denied employment under the above-mentioned things, and then they mention also age, marital status, changes in marital status and things like that. He said he thought that a person's age, as well as their sex, creed, color and race should be considered in this. He said there were other laws covering age discrimination and he said he hoped all of the Commission would become aged, if all goes well.
- ✓ Charter, Section 1.02 – Mr. Shay said that the assembly manager form of government seemed awkward to him.
- ✓ Charter, Section 2.02(b) – Talking about the Assembly, the terms and the way that the first Assembly would be selected on the basis of votes, he said he thought that

was very good. He said he knew the Commission had had a lot of good ideas reflected in the document.

- ✓ Charter, Section 2.03(b) – He said he was wondering about the section on determining of qualifications and forfeiture and the Assembly being the judge of the election. He said he thought the Clerk had a certain hand in this according to statutes. He said that might want to be researched a little because he said, he knew it could be re-delegated, but he said that he thought there was something in the Code already about what the clerical staff, what their hand is in the election process and in the creation of vacancies and the forfeiture of office and so forth. He said he remembered another section where penalties were created for violating the provisions of the office holders and he thought that was pretty good.
- ✓ Charter, Section 2.10(b) – He said that he liked how it was discussed to avoid micro-management when it's said that subordinates of the municipal manager shall report to and obtain direction from the municipal manager and not from the Mayor or individual assembly members. Bravo. That's needed. He said that some of "us guys" need to be reminded of this every now and then, too.
- ✓ Charter, Section 3.05 – He said he liked very much that access to the information in electronic form is an excellent idea. OTTE pointed out that Clerks Edwards and Suiter had added that.
- ✓ Charter, Section 8.02 (c) – Mr. Shay indicated that where is said that where it talks about the Municipality being reasonably compensated by the utilities, he said that this was talking about contracting out these things. He said he didn't know if was still in the City Charter, but he thought that was a good idea. It's like an enterprise fund with inter-fund transfers to take care of the costs of a unit of government that is borne by yet another unit of government and reimbursement therefore.
- ✓ Charter, Section 10.02 (a) – He said that he was wondering why the Commission had chosen 60 days before the beginning of the fiscal year. He said he thought it should be 90 days for this section, but then he said that might not be practical. He said that this was a recommendation based on his experience. He said he'd been on the School Board, the City Council, the Assembly and it's sometimes difficult for the manager to get the material together by 60 days, but he said he thought that 90 days would be better.
- ✓ Charter, Section 15.02 – He said that he was curious that the amendments should be submitted at the next regular or special election occurring more than seventy (70) [the word days is missing] after the adoption of the ordinance. He said he was curious as to why it wasn't 60, or there may be another reason due to technicalities. THOMPSON said that the number had come from the Clerks, with Attorney review, and had come up with the verbiage as to the timing of the elections. He said that was an increase in the number of days because what the number had been before was almost a physical impossibility.
- ✓ Charter, Section 16 - Mr. Shay thought the section on nepotism was pretty good and that it covered almost anyone that could be thought of. He did say, don't forget that nepotism is a relative thing. (Groans)
- ✓ Charter, Section 16.06 – Mr. Shay mentioned that combining the assets and liabilities

would probably affect the bond ratings. After all, when a government is bonding, especially on G.O. bonds, reflecting the full faith and credit of the municipality, and this is a bigger municipality. He also said that in combination of assets, he said that the Borough had \$31 million in cash assets and the City has \$29 million and that adds up to \$60 million in cash assets and there are tremendous assets such as the Ward Cove property, plus other properties, and if the State ever gets around to getting the rest of the land from the Federal government, the community will be in even better shape. He said the Borough has selected the land that is due to them, in fact, he said, they over-selected by several hundred acres and Mr. Shay said they'd told the government they couldn't have it back.

- ✓ Exhibit J, Transition Plan – Mr. Shay said that it was pretty detailed and he thought it was needed. He said he felt the Commission had done a good job on the Transition Plan and in addition, under the Gateway Service Area, he hoped that name wouldn't be confusing the populace. People who live in the City always forget that they also live in the Borough. OTTE indicated to Mr. Shay that if he could come up with a better name for the former City service area, that's serviceable. She said there had been quite a number of suggestions for a name from a survey done on the Internet and some of them weren't very flattering. She said the service area could not be called the City Service Area because the City will be dissolved. THOMPSON said he'd issued the same challenge to Mayor Weinstein about the name of the new service area. Mr. Shay said it's not that he didn't like it necessarily, he thought it might be confusing to the populace. PAINTER said that he was the one who pushed for the Gateway Service Area name and the reason he'd done so is that the Commission had all agreed that the informal name for the Municipality would be Ketchikan, because that's the way it has always been, whether a person resides at Herring Bay or Clover Pass or in the City. Official communications would use the full name of Municipality of Ketchikan on forms. PAINTER said that simply from a historical standpoint, he didn't want to see the name and concept Gateway lost. THOMPSON said that there would be no criticism on the name for the service area unless a workable alternative was suggested. The name is open until the document is submitted.
- ✓ Exhibit J, Transition Plan – Mr. Shay wondered if the Commission had gleaned any information from Juneau and Sitka, since they had recently consolidated, and he thought they were enjoying benefits from their successful efforts to consolidate. MCCARTY said that Sitka and Juneau's Charters had been used as reference, side-by-side with the prior City's submittal, as well as Haines.
- ✓ Exhibit J, Transition Plan, P23 – Mr. Shay said there should be little fear of firing when losing positions is being discussed. For one thing, he went on, the Mayor and the Council Members/Assembly Members know their positions are being reduced. As far as the general staff knows, he said he felt that most of the reductions would be taken care of by attrition. He said he'd heard around that some people were saying that they wouldn't vote for the effort because a lot of people were going to get fired. Mr. Shay said that it was well put in the Transition Plan about staff reductions and there should be little fear from that. He said that the discussions about combining

other assets, like the motor pool, are bound to save the community money in the long run. He asked about Exhibit J-1 (and the lack of anything in the petition). It was explained that had not been completed as yet. That section would be to give some advice to the new Assembly on such topics as areawide fire & EMS, and to tell the new Assembly what actions this Commission felt appropriate for them to handle.

THOMPSON added that there are issues regarding KPU, sales taxes, combining departments that the Commission didn't believe was in their purveyance to delve into the micro-management details that a new Assembly under the consolidated government could handle those types of things.

- ✓ Exhibit O-3 (which was not included initially in the Petition copies) Mr. Shay said he was very glad to see that the Library was high on the list of preferred areawide services by the respondents to the survey.
- ✓ Mr. Shay said he wanted to commend the Commission on their hard work and it should be ratified by the community. He said he intended to support the effort and work hard to see that it is passed. It will effect savings and it will tend to unify the community and would be a definite service to the public and he went on, once again, he said the Commissioners had his gratitude for working on it.

PAINTER spoke to Mr. Shay and said that all his kudo's need not necessarily go to the Commissioners because the Commission had taken the City's 2000 plan as a platform and we compared charters with the other community's and did some word-smithing, even coming up with a few new ideas, and it is still a work in progress. PAINTER went on to say that a lot of the effort in this document today came from the City's 2000 Petition. THOMPSON said that plagerism is the most sincere form of flattery.

The Commission thanked Mr. Shay for his careful review and comments of the document.

David Weiler, Whipple Spur Road, said that the Commission had done a good job. There are going to be some problems trying to explain it to everyone. They're going to say, "What? The Borough's taxes are going up? The City's taxes are going down?" He wanted to know how that was going to be explained. There may have been some services that the Borough received, and are going to receive, that weren't paid for in the past, so they get the bills and freak out, you know, sludge fees and EMT and all this stuff. And the sales taxes are going up. That's going to be the question. He wanted to know if the Commissioners had anything to say about this and PAINTER responded that it was a work in progress. THOMPSON said there were minimal increases in taxes over-all in the budget, it was more shifting from where the revenues wind up between the City and the Borough. The newspaper article was unclear. He said that two taxes that exist in the Borough today, the areawide mill rate levy and the nonareawide Library tax, and they were added together. They are already in existence, but they were added together and they total 8.43 (that was the wrong figure, but the 8.7 is still the addition of those two taxes). There has been no property tax increase. They were just added together since the Library will be part of the areawide powers of the new Municipality. On the other side of the coin, in the City, they currently are paying a total of 6.4 mills property tax, and of that total millage, 1.2 is included

as their contribution to the Library funding. Consequently, they will be paying the areawide tax of 8.7 mills and their area millage will lose the 1.2, with a net of 5.2 mills. That's all the Commission has done. There are way too many rates in existence. There should be one rate. Mr. Weiler responded that those were good answers. THOMPSON went on to say that the only taxes that will go up will be the taxes outside the City limits will increase for the 1% sales tax dedicated to the Hospital, whose funding is going areawide, and .25% to pay for the maintenance of the buildings going to the new Municipality as areawide, the Civic Center, the Museum, the Mental Health/Substance Abuse, the City Hall. Inside the City it will stay the total 6% sales tax and outside it will change from 2.5% to 3.75%. Mr. Weiler verified that the rate he would charge his customers would increase to 3.75%. He said he would probably lose customers because of this. This will be an issue for some people. He said he could probably handle this himself, or he said, he'd just leave, but this is going to be a problem. THOMPSON said the 1% Hospital tax is because the Hospital was taken to an areawide function which it truly is and the tax had to follow the service. He said the .25% is still up in the air a bit, but that is because the Municipality will be assuming the responsibilities for the actual buildings of the Library, Museum, Civic Center, City Hall and other buildings that do require maintenance and that ¼ point of sales tax is to shift from the City area paying for it to everyone paying for it. The overall taxes only go up about \$300,000 in total.

Mr. Amylon came forward said he wanted to follow up on some of the earlier comments. He said he felt THOMPSON's summary of the meeting they'd had that morning was very constructive and he said we're prepared to go forward.

MCCARTY said that all of the Commissioners really appreciate and he said he's hoping the members of the public feel the same way, that across the board, their tax dollars have been well spent on the people who are running the departments who have come forward and given a lot of information and input. It's made it a lot easier for the Commission to do the job. He said the Commission couldn't do their jobs without the information from the finance departments, the Clerks and Attorneys, and the Manager, so he said thank you.

EXHIBIT J-5
Excerpt of Minutes, Public Hearing

August 28, 2004

PUBLIC HEARING NOON. AUGUST 28, 2004

Recess the meeting into Public Hearing. Note: During the time set aside for the Public Hearing, the Commissioners may discuss items concerning the Draft Petition and Exhibits, assign specific tasks or work on individual assigned tasks when there is no one testifying. As with a work session, no action may be taken and formal rules of order are relaxed.

David Allen, 1025 Dunton Street, thanked the Commission for what's been done. He said this is a thankless type job and there wasn't a lot of attention from the public hearing process. He said he knew in the back of his mind the process is a priority, but now that there is a draft document, he said he'd gone through it. He said he commended the Commission and he said it was important to note not only what it says, but also what it doesn't say. He said he thought the Commission was trying to get something accomplished and get a consensus and that's a difficult process with this community. This is a good start.

Mr. Allen went on to say that there are other issues that will be addressed one at a time at a later date. He commended the Commission for that idea. He wanted to know if the new three-year plan was based on the comments from the City. THOMPSON indicated yes. He said that the only other thing he had noted that didn't get crossed off by further reading was the enterprise funds. He said he hadn't seen the Transit Enterprise Fund listed and he said there is such a fund in the Borough. THOMPSON said that he thought the Transit Department had been pulled into the General Fund. There is no longer a Transit Fund; it's a department under the General Fund of the Borough. OTTE said she thought it was under Public Works now. Mr. Allen said it was under Public Works, but he said that since he's a Borough employee as the Director of Transportation, and the Transit Fund used to be under his department and then it was transferred to Public Works. Mr. Allen said he wasn't as closely associated with it now as he once was, but he did think the Transit Fund was still in existence because there are Federal grants that are provided, to purchase the buses for example, that because of those grants, it has to be kept as a separate fund. THOMPSON said the Commission would check into that. He said his understanding was that the Borough eliminated the enterprise fund because it was not a viable fund and they were funding it through the General Fund inclusive of those grants. Mr. Allen said shame on him if he didn't know this, but he thought the General Fund subsidizes the Transit fund quite a bit.

Justin Carro said the Commission was doing a great job.

Assembly Member Maggie Sarber was in the audience. The Commissioners asked her if she'd like to speak and she indicated no, she'd just come to listen. She apologized for not coming before.

THOMPSON said he was going to rule the Public Hearing closed but if other people come in that want to testify, as the Commission always has, the podium would be made available to them.

EXHIBIT J-6
Excerpt of Minutes, Public Hearing

September 17, 2004

I: NEW BUSINESS – PUBLIC HEARING 7 PM.

I-1 Recess the meeting into Public Hearing. Note: During the time set aside for the Public Hearing, the Commissioners may discuss items concerning the Draft Petition and Exhibits, assign specific tasks or work on individual assigned tasks when there is no one testifying. As with a work session, no action may be taken and formal rules of order are relaxed.

M/S MCCARTY/FINNEY to recess into Public Hearing in order for the citizens of the community to bring their comments and concerns regarding the Commission's draft Petition to the Commission.

A unanimous voice vote was taken on the motion and the Commission went into Public Hearing.

MCCARTY suggested that the citizens and the press would probably like to have the time-line information on the consolidation process. OTTE inquired if Mr. Miller from the Daily News remembers having received the information from Mr. Bockhorst. He said he probably had read it, but didn't quite know where it was. OTTE said she'd make sure he got it again.

OTTE then did a synopsis of the time-line for the members of the audience.

THOMPSON asked the individuals in the audience if they wanted to come up and comment on anything.

Dave Coates, PO Box 9452, said he hadn't come to comment, but to listen to the comments. He said he'd expected the room to be full and he had wanted to hear what others had to say. In absence of no one coming up to speak, he said he'd feel bad if the Commission had the Public Hearing and no one spoke. He wanted to again thank the Commissioners who cared enough for the two communities to try to put a document together to put us all together into one community. He said that there weren't people up throwing rocks at the Commission, and the document has been presented to the community. He said he's heard from people that it's not such a bad idea after all. The document, he said, obviously, is a good enough document, that the Commission is getting both Borough and City people who aren't throwing rocks at them. He said that was a wonderful job.

Mr. Coates continued by saying that he's excited about the prospect. He said his son had come because he'll probably be running for the new Assembly when he's old enough and there will be a unified community instead of two segments that always have differences. He thanked the Commission again. He said he'd been watching on TV and listening to the feedback and it's a wonderful thing. He said the community just had its first hundred years and moving into the next hundred years and now there's a chance to put the community as one. He said he lives in the Borough, but has businesses in the City and he said he takes great exception when the City has the elections and he's not able to vote on things that affect him and affect his family and businesses. He said he's been told that he's not a

taxpayer or not a voter. He said he takes exception to those statements, because the City means a lot to him. Not to be able to have a voice now and this would make it where everyone can have an equal voice in the community.

Dave Valentine, 11976 North Tongass, spoke to the Commissioners after they had completed their comments. He said he was having trouble hearing the Commissioners speak and he was wondering if the sound system was working.

Mr. Valentine said he wished he'd come to a lot more of the meetings. He said he didn't know what all had been said, but he said he was underwhelmed at the turnout at this meeting. He really thought it would be full. He said one of his concerns about consolidation is that a whole lot of the City laws will be spread out onto the Borough, too. He said he has a small rock quarry out at Mile 12 and he's been selling rock out there for 25 years. He said he'd never had any permits to fill out, any laws or anything and he said he felt real fortunate to be able to level his property with no hassles whatsoever. He said he'd never had any problems. He's had about 6 different drillers drill and blast out there and he said he knew how tough it is within the City to do any blasting. A person needs a million dollars worth of coverage. He said that he'd hate to see all this heavy layer of City regulations spread out to the Borough. He said that was his main concern. There may be a lot of other things, too, that the Borough residents would rather not see laid on them. Those, he said, are his kind of concerns.

Mr. Valentine said he'd been in Alaska for 48 years and it used to be pretty wide open; do whatever you want, but it's sure changing. Too fast to suit him, he said. As people get closer and closer together, he said he knew that it would take more rules and regulations to keep things in balance, but he said he had no idea what kind of regulations they intend to move out into the Borough. Even places like Loring, some of the Borough regulations are pretty stiff like height of fences and decks and things, in remote places they're even having a heavy hand about it. Aerial surveillance to tell you how many cars you've got in your yard. He said he'd spoken with a guy who'd bought a lot out North and all he'd ever done was store things on it. The Borough is telling him he's got to move it all. He came to Mr. Valentine to see if he could store it on Mr. Valentine's light industrial lot. It's old, ugly junk and it's not even worth the price of moving it and storing it, but the guy's facing \$500 per day penalty hanging over his head. Where'd all this stuff come from, Mr. Valentine wanted to know. He said he'd like to see less of it, not more.

HARRINGTON spoke to Mr. Valentine and let him know that all the rules and regulations of both the Borough and City will have to be re-enacted within the two or three years after consolidation. So there will be a period of time in which those different rules will remain in force until such time as the new Assembly can review those laws. He continued that this would be the critical time to get involved in the process as the new Assembly starts the review of the rules. He said the second item voiced by Mr. Valentine was on the Code Enforcement Division. In the Charter, the Commission has said that the power for Building Code Enforcement is limited to within the former City, the Gateway Service Area and other

service areas only. The Building Code enforcement will not be in effect in the former "Borough" until those individual service areas choose to have that power. He said to Mr. Valentine that he didn't know if that gave him any breathing room, but those two items at least give him the option for addressing those concerns as consolidation takes place.

Mr. Valentine continued that he sure wished more people had shown up. MCCARTY indicated to Mr. Valentine that this isn't the final go-around. The Petition will go up to Juneau and then there will be a public comment period and some more Public Hearings before the issue comes to a vote. He said it's still a work in progress and that the Petition is basically done except for some tinkering with some of the parts at the behest of the Local Boundary Commission. He continued to Mr. Valentine that if he felt like looking at the document, the Commission could make certain he got a copy.

The Commission thanked Mr. Valentine for his comments. He then thanked the Commission for serving and putting in so many hours at the task.

Another citizen had come into the Chambers, but he declined to comment.

I-2 Reconvene to regular session

M/S THOMPSON/PAINTER that seeing no further citizens desiring to testify at the Public Hearing to reconvene into regular session to consider the suggestions and comments received from the community during the Public Hearing.

The motion passed by a unanimous voice vote.

EXHIBIT J-7
Excerpt from the City Council
Minutes of August 19, 2004

And

Minutes, City Council Special Meeting
To Discuss the 2004 Draft Consolidation Petition

August 23, 2004

August 19, 2004

**Draft Petition for Consolidation of the City and Borough
– Ketchikan Charter Commission**

Manager Amylon notified the Council that a copy of the Charter Commission's draft petition for consolidation of the City and Borough has been forwarded to the City. He noted staff is currently reviewing the petition, and he hoped the process could be completed by Friday, August 20, 2004. He stated public meetings are scheduled for August 13, 20 and 28, 2004. He advised staff could file comments or submit them to the Council for prior review, in which case a special meeting would be required prior to the August 28th public meeting.

Councilmember Lew Williams requested that the Council have a special meeting to examine staff comments regarding the petition.

Charter Commission Member Mike Painter addressed the Council, and stated the Commission wants comments from both the Borough Assembly and the City Council. He advised if the Commission is to make any substantial changes in the document, it must be done soon because it is scheduled to be submitted to the Local Boundary Commission by mid-September. He noted they took the City's petition for consolidation that was submitted in 2001 and made what they felt were needed changes, incorporating suggestions from City and Borough staff.

After discussion, the Council reached a consensus to hold a special meeting to discuss the draft petition on Monday, August 23, 2004. Manager Amylon said there would be copies of staff comments available for the Council by Friday afternoon.

Councilmember Freeman felt the problem with the product that is submitted to the Local Boundary Commission is not the product that may come out at the end. He said he would like to see a document submitted that is as politically homogenous as it can possibly be. He noted that anyone in the community would be able to find something in the document to object to, and he wanted everyone to understand that people will have to compromise to make it work.

Manager Amylon said he would make it clear to the Charter Commission that any comments from city staff are just that, staff comments that may not necessarily reflect the thoughts of the Council.

General Government/IBEW Labor Negotiations

Manager Amylon advised the International Brotherhood of Electrical Workers Local 1547 ratified the labor agreement for General Government workers. He expressed appreciation to the local bargaining unit negotiating team who did a significant job.

Harbors Auction

UNAPPROVED

August 23, 2004

Special Ketchikan City Council meeting was called to order by Mayor Weinstein at 7:04 p.m., August 23, 2004, with the following members present: Tom Coyne, Charles Freeman, James Wingren, Bob Norton, Marty West, Lew Williams III, and Steve Williams.

The Pledge of Allegiance was given by all persons in the Chambers.

Staff present were Manager Amylon, Finance Director Newell, City Attorney Schweppe, Assistant Manager Voetberg, and City Clerk Suiter.

COMMUNICATIONS

Mayor Weinstein noted there was a memorandum laid on the table from City Attorney Schweppe with comments regarding the draft charter.

PERSONS TO BE HEARD – None

NEW BUSINESS**Draft Consolidation Petition**

Charter Commission Members Mike Painter, Dennis McCarty and Deborah Otte addressed the Council. Mr. Painter said the Commission met on Friday and reviewed the city manager's comments, noting they haven't made any formal changes to the document but they will meeting again on August 27th. He discussed the tax cap, adding it will probably be taken out of the picture to allow for a tax cap to be set by ordinance, which can only be changed by a super majority of the new assembly. He stated a commission member is working on the budget to make corrections that were pointed out by city staff, and said what they are trying to do is maintain status quo without raising property taxes. He felt if property taxes were raised, voters won't approve it.

Mr. Painter said another thing that needs to be worked out is the dividing up of former City of Ketchikan and Ketchikan Gateway Borough assets. He explained it is a touchy thing.

In response to Mayor Weinstein, Mr. McCarty said basically there aren't that many changes from the petition that the City had previously submitted. He felt the biggest change in the Charter has been to try to simplify some of the language, and he went on to give examples. He said the financial end of the document needs to be reviewed, and he cautioned everyone to remember it was put together based on some assumptions. He stated they are trying to avoid the public as seeing anything as a change that is forced on them.

Mr. Painter pointed out the powers that would be areawide under the charter include: parks and recreation, transportation, animal control, economic development, 911 dispatch, library, museum, civic center, mental health/substance abuse, hospital, public

August 23, 2004

health, cemetery and solid waste disposal. He stated the powers for the Gateway Service Area would be police protection, fire suppression, roads, street lighting, solid waste collection, sewer and septic service, and building code enforcement. He said each service area would have whatever powers they chose.

Mayor Weinstein confirmed the power differences from what exists today are emergency 911 dispatch shifts from the City to areawide, library and museum moves to areawide as well as the civic center and mental health/substance abuse, and the hospital goes areawide. He questioned where port and harbors is reflected, and Ms. Otte explained it is an enterprise fund and will be an areawide function as such. She compared it to being similar to telephone and electric.

Mr. McCarty said it is difficult to say just how staffing will work out, and one of the things to look at is no matter how much they want to try to make things less expensive or at least hold the line, it is going to cost more for what is done now and it may cost more to do less, not due to consolidation but as a fact of life. He stated hopefully the increases can be held lower than what they might otherwise be.

Councilmember Freeman said it is a foregone conclusion that the draft petition will not be a perfect document when it is submitted, and the process for changing the charter is voter driven and is a living document.

Mr. Painter said in several areas specific decisions were left up to future assemblymembers, with strong suggestions in the transition plan.

Mr. McCarty explained the Boundary Commission needs to look at the petition as to whether it is a viable document, of which the controlling document is the charter. He stated the petition is the vehicle to get it to an election, and there are some things that if the petition is voted in, would make some potential changes. He advised some of the things are best guesses and suggestions that will go to the new government, where they can hopefully help run better at less expense, while providing better service, to the community. He cautioned some things are going to be crystal ball gazing and who know how accurate they will be in a year or two when it finally goes to an election.

Councilmember Freeman said there are some perceptions that are simply not true. He advised that any money held in reserves are just momentary, and once they are gone – they are gone. He felt that the important part is the framework, which is the charter. He said the simpler the charter, the better.

Mayor Weinstein thanked the Commission for their months of work, stating he will be interested in seeing, by area, what the taxes are projected to be over the next three years with and without consolidation. He said it will be interesting to see how taxes aren't raised when large departments that are currently paid for by City residents go areawide, and as to how it will leave sufficient funds for the former City area to maintain the services desired such as police, fire and streets maintenance.

Mr. McCarty said they have had tremendous input from staff and it has been worthwhile. He advised they are now getting down to crunch time to try to massage the direction and

August 23, 2004

refine the transition plan. He hoped there would be a cooperative spirit to help that happen.

Mr. Painter said in order for it to be approved by the voters, they don't want to raise taxes and want to maintain services within the Gateway Service Area. He cautioned they also need to keep up with the ever-changing current governments and some of the deficit spending that is currently going on, and cited some examples.

In response to Councilmember Lew Williams, Mr. McCarty said there is some restructuring that will take place. Mr. Painter advised after discussing the issue of staffing, it will require both governmental staffs working together during the first year.

Ms. Otte said one of her major goals is to eliminate the "us and them" perception.

Councilmember Freeman said the issue of EMS service (not being areawide in the petition) bothers him because it is an areawide service.

Commission members discussed results of the survey taken. It was explained that term limits will be left up to the new government.

Mayor Weinstein cautioned the Charter Commission to get letters stating that consolidation will not cause a pullout of state service such as road maintenance and public safety.

In response to Councilmember Wingren, Mr. Painter said there are not areawide road powers in the petition because of the cost.

Councilmember Freeman said the petition is not a perfect document, but he will take what is given and hopefully whatever turns out to be practical at some point in time, people will take that route. He expressed he didn't know whether the consolidation would give us any kind of chance at all or whether it will work or save money, but he felt if we continue on as we are right now, we have no chance at all.

Mayor Weinstein thanked the Charter Commission members for their work, and Ms. Otte thanked the Council for their input as well as allowing staff to give input as well. He asked the Council if they wanted either the manager or the attorney to spend more time on their memorandums or if they were satisfied with what was submitted.

Councilmember Lew Williams said everyone got to give input, and the things he was concerned about were discussed so waiting until the Charter Commission addresses items in the manager's and attorney's memorandums would be appropriate.

MAYOR AND COUNCIL COMMENTS

Councilmember Lew Williams said he was glad the Council met and wanted the community to see that the Council is interested in seeing the Charter Commission put something together for the voters to vote on.

Councilmember Wingren said it was informative.

August 23, 2004

Councilmember Coyne said if the Council associates with the present Borough Assembly, we will end up in the same boat they are in.

Councilmember Norton expressed the meeting was worthwhile, and while nothing is perfect he hoped it will all work out. He felt if it was going to happen, it better happen this time.

Councilmember West said it was obvious the Commission did a lot of work and she appreciated it. She expressed her appreciation for City staff, stating it continues to be apparent the City has an excellent staff in the clarity and detail of their work.

Councilmember Steve Williams thanked the Commission for their work because it is a thankless job. He felt the Council realizes they need to look out for the best interests of the constituents of the City of Ketchikan, and he would hate to fritter away a chance to better protect their interests. He pointed out there are significant funds that are owned by the City of Ketchikan, and hopefully details regarding funding and taxes will be clearly shown in the document. He hoped the document would be fair for everyone.

Mayor Weinstein thanked the Charter Commissioners for their work, and he felt the fact that it was quite close to the City's previously submitted charter validates the prior efforts on the subject. He felt the details of the financial side of the petition would be important, and while there needs to be fairness and compromises on the part of residents boroughwide, he hoped as the numbers get revised everyone within the City will know the impact of what the numbers would be with consolidation as compared to what they would be without consolidation. He said he wanted to be assured that the critical services will be provided a reasonable funding source so if there is a hidden tax increase, it will not fall on City constituents.

ADJOURNMENT

As there was no further business, the Council adjourned at 8:25 p.m.

Bob Weinstein, Mayor

ATTEST:

Katherine M. Suiter
City Clerk

EXHIBIT J-8

**Correspondence with Alaska Department of
Public Safety**

And

**Correspondence with the Alaska Department of
Transportation/Public Facilities**

KETCHIKAN CHARTER COMMISSION

1144 Black Bear, Ketchikan, AK 99901

email: charter@kpunet.net

September 3, 2004

Commissioner William Tandeske
Alaska Department of Public Safety
PO Box 111200
Juneau, AK 99811-1200

Dear Commissioner Tandeske:

The Ketchikan Charter Commission has been meeting since January this year, attempting to complete a draft petition and charter for consolidation of the Ketchikan Gateway Borough and the City of Ketchikan.

In our deliberations, it has been determined that no changes in the police services of the area are warranted at this time. The City of Ketchikan will become a service area of the new Municipality and that area will retain their current police powers, however, other than the Airport Police, the proposed Municipality will not be taking on additional police powers.

During the City's 2000 consolidation attempt, the Department of Public Safety provided a letter stating that the Alaska State Troopers had no plans to pull out of Ketchikan should consolidation occur. This elected Charter Commission is requesting from your office, or that of the A Detachment Commander's office, a similar letter. The perception is that should consolidation occur, the area would be without Trooper law enforcement support.

Thank you. Since our petition must be in the Local Boundary Commission's hands by September 30 of this year, your prompt attention to this matter would be greatly appreciated. On a personal note, it's certainly a pleasure to see you and Ted in your positions, ably assisting the governor with your expertise in law enforcement. Good job!

Sincerely,

Debby Otte, Commission Secretary for
Glen Thompson, Chair
Ketchikan Charter Commission
225-7814 (Home) or 228-5440 (Work)

c: Lt. Rodney Dial, A Detachment Commander, AST

State of Alaska



Department of

Public Safety

Frank H. Murkowski, Governor
William Tandeske, Commissioner

September 15, 2004

Debby Otte, Commission Secretary
Ketchikan Charter Commission 1144
Black Bear Ketchikan, AK 99901

Dear Debby:

In response to your letter of September 3, 2004, I can offer the following assurance;

The proposed consolidation of the Ketchikan Gateway Borough and City of Ketchikan would not result in the Department of Public Safety withdrawing assets from Ketchikan.

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

At this time, I see no adverse impact that should concern you as you consider 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.

It was good to hear from you. I wish you the best in your deliberations.

Sincerely,

William Tandeske
Commissioner

cc: Lt. Rodney Dial, "A" Detachment

KETCHIKAN CHARTER COMMISSION

1144 Black Bear, Ketchikan, AK 99901

email: charter@kpunet.net

September 3, 2004

Commissioner Mike Barton
Alaska Department of Transportation & Public Facilities
3132 Channel Drive
Juneau, AK 99801-7898

Dear Commissioner Barton:

The Ketchikan Charter Commission has been meeting since January this year, attempting to complete a draft petition and charter for consolidation of the Ketchikan Gateway Borough and the City of Ketchikan.

In our deliberations, it has been determined that no changes in the road powers of the area are warranted at this time. The City of Ketchikan will become a service area of the new Municipality and that area will retain control of their current streets and roads, however, other than the individual service areas, the proposed Municipality will not be taking on additional road powers.

During the City's 2000 consolidation attempt, the Department of Transportation provided a letter stating that DOT/PF had no plans to pull out of Ketchikan should consolidation occur. This elected Charter Commission is requesting a similar letter from your office. The perception is that should consolidation occur, the area would be without State road maintenance.

Thank you. Since our petition must be in the Local Boundary Commission's hands by September 30 of this year, your prompt attention to this matter would be greatly appreciated.

Sincerely,

Debby Otte, Commission Secretary for
Glen Thompson, Chair
Ketchikan Charter Commission
225-7814 (Home) or 228-5440 (Work)

c: John Mackinnon, Deputy Commissioner of Highways and Public Facilities

STATE OF ALASKA

FRANKH. MURKOWSKI, GOVERNOR

*DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES*
OFFICE OF THE COMMISSIONER

3132 CHANNEL DRIVE
JUNEAU, ALASKA 99801-7898

FAX: (907)465-3652
PHONE: (907)586-8365
(907)465-3900

September 17, 2004

Glen Thompson, Chair Ketchikan
Charter Commission 1144 Black Bear
Ketchikan, Alaska 99901

Dear Mr. Thompson:

Thank you for your letter of September 3rd requesting the Department of Transportation and Public Facilities' (DOT&PF) position regarding consolidation of the City of Ketchikan with the Ketchikan Gateway Borough. We appreciate the opportunity to comment.

Alaska DOT&PF interfaces with all types of local governments on a regular basis, including both the current City of Ketchikan and the Gateway Borough. In the event that the consolidation effort is successful, we would transition seamlessly to an interface with the new government. I would not anticipate any reduction in state services to state-owned and maintained highways within the Ketchikan area as a result of a consolidation.

This position on consolidation does not, however, affect or preclude this Administration's on-going program to transfer certain roads and facilities to the appropriate local governments for ownership, control and maintenance. DOT&PF has engaged in this transfer process successfully for a number of years, and would like to continue to see local governments assume maintenance of local roads into the future.

To reiterate, consolidation would not affect the manner or level of service provided by DOT&PF to the Ketchikan area.

Sincerely,

Mike Barton
Commissioner

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EXHIBIT K
INFORMATION RELATING TO PUBLIC NOTICE

This exhibit offers information relevant to the provision of public notice of the consolidation proceedings. Included are details about local media, municipal governments within and adjacent to the territory proposed for consolidation, places for posting public notices relating to the proposed consolidation, the location where the petition may be reviewed by the public, and parties that may warrant individual notice of the consolidation proceedings.

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

Name of the newspaper(s) serving the territory proposed for consolidation and adjacent regions:

Name: Ketchikan Daily News
Address: P.O. Box 7900
Ketchikan, Alaska 99901
Telephone #: (907) 225-3157
Fax #: (907) 225-1096

The Local Paper
516 Stedman Street
Ketchikan, Alaska 99901
(907) 225-6540
(907) 225-6435

Name of the radio station(s) serving the territory proposed for consolidation and adjacent regions:

Name: KFMJ FM Radio
Address: 516 Stedman Street
Ketchikan, Alaska 99901
Telephone #: (907) 247-3699
Fax #: (907) 247-5365

KGTW FM/KTKN AM Radio
526 Stedman Street
Ketchikan, Alaska 99901
(907) 225-2193
(907) 225-0444

Name of the local television scanner serving the territory proposed for consolidation and adjacent regions:

Name: GCI
Address: 104 Plaza Port West
Ketchikan, Alaska 99901
Telephone #: (907) 225-2191
Fax #: (907) 225-4943

Name(s) of other media serving the territory proposed for consolidation and adjacent regions:

Name: KRBD FM Radio/Rainbird
Broadcasting Company
Address: 123 Stedman Street
Ketchikan, Alaska 99901
Telephone #: (907) 225-9655
Fax #: (907) 247-0808

KUBD Channel 4/CBS
516 Stedman Street
Ketchikan, Alaska 99901
(907) 225-4613

PLACE AND TIME WHERE THE PETITION AND RELATED MATERIALS ARE TO BE MADE AVAILABLE FOR PUBLIC REVIEW

A full set of petition documents, including responsive briefs, reply briefs, and reports of the Department of Community and Economic Development will be made available for public review by the petitioners’ representative at the central and convenient location(s) listed below. The materials will be available from the first date of publication of notice of the filing of this petition through the last date available for reconsideration of the final decision under 19 AAC 10.580. The materials will be available for review during normal working hours. The petitioners’ representative will accommodate requests for public review of the petition documents at reasonable times in the evening and on weekend days.

LOCATION: Office of the Borough Clerk
Ketchikan Gateway Borough
344 Front Street – Street Level
Ketchikan, AK 99901

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

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

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

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

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

Internet posting of the documents: www.sitnews.org under the Charter Commission

PLACES SUGGESTED FOR POSTING OF NOTICES RELATING TO THIS PROPOSAL

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

Office of the City Clerk
City of Ketchikan
334 Front Street
Ketchikan, Alaska 99901
(907) 228-5658

Ketchikan Public Library
City of Ketchikan
629 Dock Street
Ketchikan, Alaska 99901
(907) 225-3331

City Hall 2nd Floor Bulletin Board
Attn.: City Clerk
City of Ketchikan
334 Front Street
Ketchikan, Alaska 99901
(907) 228-5658

Office of the Borough Clerk
Ketchikan Gateway Borough
344 Front Street
Ketchikan, Alaska 99901
(907) 228-6605

MUNICIPALITIES ADJACENT TO THE PROPOSED BOROUGH

The following is a list of cities and boroughs whose boundaries extend within 20 miles of the proposed boundaries of the territory petitioned for consolidation.

City of Saxman
City of Ketchikan
Ketchikan Gateway Borough

PARTIES THAT MAY HAVE A PARTICULAR INTEREST IN THIS CONSOLIDATION PROPOSAL.

The following is a list of names and addresses of parties whose potential interest is the consolidation proceedings may warrant individual notice of the proceedings relating to this petition:

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

Frank Murkowski, Governor
State of Alaska
P.O. Box 110001
Juneau, Alaska 99811-0001

City of Ketchikan
City Manager
334 Front Street
Ketchikan, Alaska 99901

Ketchikan Charter Commission
C/O Debby Otte, Secretary
1144 Black Bear
Ketchikan, AK 99901

Senator Bert Stedman

Representative Bill Williams

50 Front-203
Ketchikan, Alaska 99901

50 Front-203
Ketchikan, Alaska 99901

Forest Park Service Area
c/o KGB Manager's Office
344 Front Street
Ketchikan, Alaska 99901

Gold Nugget Service Area
c/o KGB Manager's Office
344 Front Street
Ketchikan, Alaska 99901

Mud Bight Service Area
c/o KGB Manager's Office
344 Front Street
Ketchikan, Alaska 99901

North Tongass Fire & EMS Service Area
c/o KGB Manager's Office
344 Front Street
Ketchikan, AK 99901

Waterfall Creek Service Area
c/o KGB Manager's Office
344 Front Street
Ketchikan, Alaska 99901

Ernest Boyd
PO Box 6831
Ketchikan, AK 99901

Long Arm Service Area
c/o KGB Manager's Office
344 Front Street
Ketchikan, Alaska 99901

Nichols View Service Area
c/o KGB Manager's Office
344 Front Street
Ketchikan, Alaska 99901

Vallenar Bay Service Area
c/o KGB Manager's Office
344 Front Street
Ketchikan, Alaska 99901

City of Saxman
Route 2 Box 1-Saxman
Ketchikan, Alaska 99901

Deep Bay Service Area
c/o KGB Manager's Office
344 Front Street
Ketchikan, Alaska 99901

South Tongass Service Area
c/o KGB Manager's Office
344 Front Street
Ketchikan, Alaska 99901

Mapping Technician.

- l) Exhibit E-3, the list of powers, services and taxes for each proposed service area, was prepared by: Ketchikan Charter Commission
- m) The statement of the assessed or estimated value of taxable property in the territory proposed for consolidation was prepared by: Ketchikan Charter Commission based on information supplied by Director of the Ketchikan Gateway Borough Assessment Department, Dennis Finegan.
- n) Exhibit F, the proposed three year operating budget, including Exhibits F-1, F-2, F-3, and F-4 were prepared by: Ketchikan Charter Commission.
- o) Exhibit G, the voting rights information, was provided by: Ketchikan Charter Commission
- p) Exhibit H, the brief, was prepared by: Ketchikan Charter Commission
- q) Exhibit I, the proposed charter, was prepared by: Ketchikan Charter Commission
- r) Exhibit J, the transition plan, including Exhibits J-1 through J-7, was prepared by: Ketchikan Charter Commission. The following officials of existing municipalities, regional educational attendance areas, coastal resource service areas and other appropriate entities within the territory proposed for consolidation were consulted in the preparation of the transition plan:
 - City of Ketchikan Manager, Karl Amylon
 - City of Ketchikan Attorney, Steve Schweppe
 - City of Ketchikan Finance Director, Bob Newell
 - City of Ketchikan Municipal Clerk, Katy Suiter
 - Ketchikan Gateway Borough Manager, Roy Eckert
 - Ketchikan Gateway Borough Attorney Scott Brandt-Erichsen
 - Ketchikan Gateway Borough Director of Finance Al Hall
 - Ketchikan Gateway Borough Clerk, Harriett Edwards
- s) Exhibit K, information relating to public notice, was prepared by: Ketchikan Charter Commission

Glen Thompson, Chair
 Ketchikan Charter Commission
 Petitioners' Representative

SUBSCRIBED AND SWORN TO before me on this ____ day of _____, 2004.
 [notary seal]

Notary Public in and for Alaska
 My Commission expires: _____

EXHIBIT M

Authorization of Petition

Clerk's Certification of Initiative Petition

Notice of Determination, Application for Initiative Petition

October 7, 2003 Election Certification Resolution No. 1768

Establishment of a Charter Commission

And

January 13, 2004 Election Certification Resolution No. 1789

Election of the Charter Commission

KETCHIKAN GATEWAY BOROUGH

BOROUGH CLERK'S CERTIFICATE

INITIATIVE PETITION PLACING ON THE BALLOT FOR THE OCTOBER 7, 2003, ELECTION A PROPOSITION REGARDING FORMATION OF A CHARTER COMMISSION TO PREPARE A PETITION, INCLUDING A HOME RULE CHARTER, TO CONSOLIDATE THE CITY OF KETCHIKAN AND KETCHIKAN GATEWAY BOROUGH AND PROVIDING FOR ELECTION OF THE COMMISSION AND SUBMITTAL OF A PETITION TO THE LOCAL BOUNDARY COMMISSION

I, the undersigned, the duly chosen, qualified clerk of the Ketchikan Gateway Borough, Alaska, and keeper of the records of the Assembly, **DO HEREBY CERTIFY:**

That on May 23, 2003, an application for an initiative petition was filed in the Borough Clerk's Office. The application was certified on June 2, 2003.

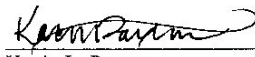
The application for the initiative petition contained the proposition to be included on the October 7, 2003, regular election ballot and provided for a special election to be held within 90 days of the passage of the proposition in order to elect the members of the commission. The Borough Clerk's Office prepared the initiative petition as required by Alaska Statute Section 29.26.120 and issued the petition on June 5, 2003. The number of signatures to be secured on the petition were calculated to be five hundred ninety-eight (598) which equaled 15% of the number of votes cast at the last regular Borough election. There were 3,982 votes cast at the last regular election. The signatures were to be collected within 90 days of the date the petition was issued.

At the request of the sponsors of the initiative petition for signature, the Borough Clerk's Office provided 30 petitions.

On August 13, 2003, the contact person for the petition filed twenty-seven (27) petition booklets as a single instrument. It has been noted that three (3) petition booklets were not included with the final instrument. The Clerk's Office has verified that the document filed contains more than the 598 signatures required per Alaska Statutes.

THEREFORE, I find that the initiative petition is sufficient.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Ketchikan Gateway Borough this 14th day of August, 2003.



Kacie L. Paxton
Acting Borough Clerk

DAN

KETCHIKAN GATEWAY BOROUGH

OFFICE OF THE BOROUGH CLERK

344 FRONT STREET
KETCHIKAN, ALASKA 99901
PHONE: 907.228.6605
FAX: 907.247.8439

June 5, 2003

Glen L. Thompson
P.O. Box 1084
Ward Cove, AK 99928

RE: PETITION FORMS AVAILABLE

Election of a Commission to Prepare a Consolidation Petition

Dear Mr. Thompson:

The petition forms are available for pick up at the Clerk's Office, 344 Front Street. You are responsible for notifying the sponsors. Any sponsor who would like the petition mailed to them should contact my office and let us know their address.

Additional sponsors may be added at any time before the petition is filed by contacting our office and letting us know the name of the sponsor. There are certain rules regarding the collection of signatures on the petition. They are outlined in the attached "Instructions to Sponsors" which will be distributed with each petition. Please emphasize to the other sponsors the necessity of adhering to them.

It is your responsibility to gather all the petitions, assemble them and file them as a single instrument to this office on or prior to September 3, 2003, at 5:00 p.m. The number of signatures required is 598.

Please contact me if you have any questions.

Sincerely,


Harriett J. Edwards, CMC
Borough Clerk

Enclosure

c. David L. Coates, Alternate Contact
Scott Brandt-Erichsen, Borough Attorney

KETCHIKAN GATEWAY BOROUGH

OFFICE OF THE BOROUGH CLERK

344 FRONT STREET
KETCHIKAN, ALASKA 99901
PHONE: 907.228.6605
FAX: 907.247.8439

June 2, 2003

Glen L. Thompson
P.O. Box 1084
Ward Cove, AK 99928

RE: APPLICATION FOR INITIATIVE PETITION
Election of a Commission to Prepare a Consolidation Petition

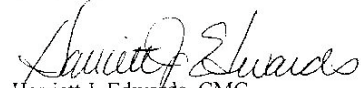
Dear Mr. Thompson:

The Application for Petition for the referenced subject was filed on May 23, 2003. Today, June 2, 2003, I certified the application as meeting the requirements of Alaska Statute 29.26.110.

I will prepare the initiative petitions and contact you when they are available. It is your responsibility to notify the sponsors who signed the application. The petitions will be available in the Borough Clerk's Office, 344 Front Street, for each sponsor who appears in the office. I will mail the petition to each sponsor who requests that the petition be mailed. Additional sponsors may be added at any time before the petition is filed.

You are responsible for assembling and filing all petitions as a single instrument to this office after the required number of signatures is obtained. The number of signatures required on the petition is 598 which is 15 percent of the number of votes cast (3,982) at the last regular election.

Sincerely,



Harriett J. Edwards, CMC
Borough Clerk

c: David L. Coates, Alternate Contact
Scott Brandt-Erichsen, Borough Attorney

KETCHIKAN GATEWAY BOROUGH

OFFICE OF THE BOROUGH CLERK

344 FRONT STREET
KETCHIKAN, ALASKA 99901
PHONE: 907.228.6605
FAX: 907.247.8439

NOTICE OF DETERMINATION

Application for Initiative Petition

Relating to Election of a Commission to Prepare a Consolidation Petition

An initiative is proposed by filing an application with the borough clerk containing the matter to be initiated and signed by at least ten voters who will sponsor the petition.

- An application for petition was given to the Clerk's Office on May 23, 2003
- Contact Person: Glen L. Thompson, P.O. Box 1084, Ward Cove, AK 99928
- Alternate Contact: David L. Coates, P.O. Box 9452, Ketchikan, AK 99901
- The application was signed by ten voters (15 additional signatures and six more sponsors were added on May 27, 2003)

The Clerk must make a determination regarding the application within two weeks of receipt.

I certify the application is in proper form and that the matter:

1. *Is not restricted by AS 29.26.100.*

The proposed initiative measure does not dedicate revenues, make or repeal appropriations, create courts, define the jurisdiction of courts or prescribe their rules.

2. *Includes only a single subject.*

The proposed initiate measure relates to consolidation of municipalities.

3. *Relates to a legislative rather than an administrative matter.*

The initiative would direct certain specific actions to be taken. These actions include the calling of a special election and submission of a petition to the Local Boundary Commission.

4. *Would be enforceable as a matter of law.*

There does not appear to be any provision which would not be performable and enforceable.

If the initiative petition is filed, and found to be sufficient, and if substantially the same measure is not adopted, AS 29.26.170 calls for the measure to be published in full in the notice of election, but provides that it may be summarized on the ballot to indicate clearly the proposals submitted. The question to actually appear on the ballot need not be a word for word copy of the language of the petition.

The ballot language will be:

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

YES []
NO []”

This determination is subject to judicial review.



Harriett J. Edwards, CMC
Borough Clerk

DATE: June 2, 2003

KETCHIKAN GATEWAY BOROUGH

RESOLUTION NO. 1768

A RESOLUTION OF THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA, CERTIFYING AND DECLARING THE RESULTS OF THE REGULAR ELECTION FOR SCHOOL BOARD MEMBERS AND BALLOT PROPOSITIONS HELD OCTOBER 7, 2003; AND ESTABLISHING AN EFFECTIVE DATE.

RECITALS

- A. The Assembly has delegated its canvassing function to a Canvass Board, and appointed that board for the Regular Election of October 7, 2003 in Resolution No. 1760.
- B. The election Canvass Board has completed the canvass of the Regular Election held October 7, 2003 and has presented the Certificate of Returns and reports to the Assembly.
- C. The election to fill two Assembly seats resulted in a tie vote for one of the seats. A recount and Assembly action to determine by lot the results of a possible tie vote for an assembly seat will necessitate the need to declare the results of the Assembly election in Resolution No. 1770.
- D. The election Canvass Board has ascertained the vote to be as follows:

SCHOOL BOARD
Three (3) - Three-year terms

RETTKE, Ty	1,374
HARNEY, Deborah	1,781
HARPOLD, Mike	1,883
SCHAFFER, Charlotte "Choc"	1,912
Write-Ins	92

The following propositions were submitted to all the duly qualified voters of the Ketchikan Gateway Borough.

PROPOSITION NO. 1
KETCHIKAN GATEWAY BOROUGH
Sales Tax Levy

Shall the general sales tax increase of one-half percent (.5%) and the five year temporary sales tax of one percent (1%), which were approved by the Assembly in Ordinance 1277A on August 18, 2003, be approved?

YES	599
NO	2,680

I hereby certify the annexed instrument is a true and correct copy of the original on file in my office.

ATTEST: *Janet Johnson*
Clerk Ketchikan Gateway Borough

PROPOSITION NO. 2
KETCHIKAN GATEWAY BOROUGH
\$8,000,000 General Obligation Bonds
Constructing and Equipping a New Pool Facility and Acquiring or Constructing and
Equipping a General Government Office Facility

If Proposition No. 1, authorizing a temporary increase in the Borough's sales and use tax, is approved, shall the Ketchikan Gateway Borough issue general obligation bonds (payable from sales and use tax revenues) in the principal amount of not to exceed \$8,000,000 maturing within a maximum of 5 years, to pay the costs of constructing and equipping a new pool facility and to pay the costs of acquiring or constructing and equipping a general government office facility, and shall Ordinance No. 1278A of the Borough authorizing the issuance of the bonds for such purpose be approved?

YES	932
NO	2,354

PROPOSITION NO. 3
KETCHIKAN GATEWAY BOROUGH
Charter Commission on Consolidation

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

YES	1,796
NO	1,498

NOW, THEREFORE, IN CONSIDERATION OF THE ABOVE FACTS, IT IS RESOLVED BY THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA, as follows:

Section 1 The Assembly of the Ketchikan Gateway Borough determines the election of October 7, 2003, was validly held.

Section 2 The following persons received the greatest number of votes cast in the regular election in the contest for school board. The following people are declared elected to the office as shown below:

SCHOOL BOARD
Three (3) - Three-year terms

HARNEY, Deborah
HARPOLD, Mike
SCHAFFER, Charlotte "Choc"

Section 3 The Borough Clerk is directed to prepare, sign and issue a Certificate of Election, sealed with the seal of the Ketchikan Gateway Borough to the persons declared elected.

Section 4

(a) A majority of the qualified voters residing within the Ketchikan Gateway Borough who voted on the question voted against Proposition No. 1 that increased the Borough sales tax.

The Assembly of the Ketchikan Gateway Borough hereby declares that the proposition failed to be adopted with the votes cast within the Ketchikan Gateway Borough.

(b) A majority of the qualified voters residing within the Ketchikan Gateway Borough who voted on the question voted against Proposition No. 2 that would authorize the issuance of \$8,000,000 in General Obligation Bonds for a new pool facility and general government facility.

The Assembly of the Ketchikan Gateway Borough hereby declares that the proposition failed to be adopted with the votes cast within the Ketchikan Gateway Borough.

(c) A majority of the qualified voters residing within the Ketchikan Gateway Borough who voted on the question voted for Proposition No. 3 that would create a charter commission on consolidation.

The Assembly of the Ketchikan Gateway Borough hereby declares that the proposition was adopted with the votes cast within the Ketchikan Gateway Borough.

Section 5. Effective Date. This resolution is effective upon adoption.

ADOPTED this 13th day of October, 2003.

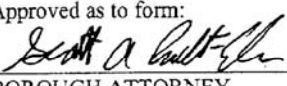
Resolution No. 1768

Page 4


BOROUGH MAYOR

ATTEST

BOROUGH CLERK

Approved as to form:

BOROUGH ATTORNEY

EFFECTIVE DATE: October 13, 2003			
ROLL CALL	YES	NO	ABSENT
BERGERON	✓		
BURTON			✓
COOSE	✓		
LANDIS	✓		
TIPTON	✓		
SHAY	✓		
SARBER	✓		
MAYOR (Tie Vote Only)			N/A
4 AFFIRMATIVE VOTES REQUIRED FOR PASSAGE			

KETCHIKAN GATEWAY BOROUGH

RESOLUTION NO. 1789

A RESOLUTION OF THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA, CERTIFYING AND DECLARING THE RESULTS OF THE SPECIAL ELECTION FOR CHARTER COMMISSION MEMBERS HELD JANUARY 13, 2004; AND ESTABLISHING AN EFFECTIVE DATE.

RECITALS

- A. The Assembly has delegated its canvassing function to a Canvass Board, and appointed that board for the Special Election of January 13, 2004 in Resolution No. 1784.
- B. The election Canvass Board has completed the canvass of the Special Election held January 13, 2004, and has presented the Certificate of Returns and reports to the Assembly.
- C. The election Canvass Board has ascertained the vote to be as follows:

**COMMISSION MEMBER
BOROUGH RESIDENT RESIDING OUTSIDE THE CITY OF KETCHIKAN
Three (3) Seats**

KIFFER, Jerry L.	638
REESER, Robert G.	293
HARRINGTON, John A.	664
TOMBAUGH, Richard	377
FINNEY, Brad W.	796
JOHNSTON, Joe	513
SALLEE, Michael	386
JENSEN, Mike	390
Write-Ins	11

**COMMISSION MEMBER
BOROUGH RESIDENT RESIDING INSIDE THE CITY OF KETCHIKAN
Three (3) Seats**

SKINNER, Robert B.	380
PAINTER, Mike	583
MUENCH, Eric	395
STANTON, Loren K.	274
OTTE, Deborah	536
CARRO, Justin "J.C."	119
MCCARTY, Dennis	524
MURPHY, Kevin	343
JACKSON, Joel W.	378

I hereby certify the annexed instrument is a true and correct copy of the original on file in my office.
 ATTEST: *[Signature]*
 Clerk Ketchikan Gateway Borough

ALBERTSON, David	392
MILLER, A. Fred	280
Write-Ins	9

**COMMISSION MEMBER
BOROUGH RESIDENT AT LARGE
One (1) Seat**

WILLIAMS, Joe	523
THOMPSON, Glen	839
Write-Ins	30

NOW, THEREFORE, IN CONSIDERATION OF THE ABOVE FACTS, IT IS RESOLVED BY THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA, as follows:

Section 1 The Assembly of the Ketchikan Gateway Borough determines the election of January 13, 2004, was validly held.

Section 2 The following persons received the greatest number of votes cast in the Special Election. The following people are declared elected to the commission as shown below:

**COMMISSION MEMBER
BOROUGH RESIDENT RESIDING OUTSIDE THE CITY OF KETCHIKAN
Three (3) Seats**

FINNEY, Brad W.
KIFFER, Jerry L.
HARRINGTON, John A.

**COMMISSION MEMBER
BOROUGH RESIDENT RESIDING INSIDE THE CITY OF KETCHIKAN
Three (3) Seats**

PAINTER, Mike
OTTE, Deborah
MCCARTY, Dennis

**COMMISSION MEMBER
BOROUGH RESIDENT AT LARGE
One (1) Seat**

THOMPSON, Glen

Resolution No. 1789

Page 3

Section 3 The Borough Clerk is directed to prepare, sign and issue a Certificate of Election, sealed with the seal of the Ketchikan Gateway Borough to the persons declared elected.

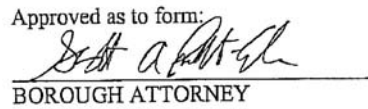
Section 4. Effective Date. This resolution is effective upon adoption.

ADOPTED this 15th day of January, 2004.


BOROUGH MAYOR

ATTEST:

BOROUGH CLERK

Approved as to form:

BOROUGH ATTORNEY

EFFECTIVE DATE: January 15, 2004			
ROLL CALL	YES	NO	ABSENT
BERGERON	✓		
LYBRAND	✓		
KIFFER	✓		
LANDIS	✓		
TIPTON	✓		
SHAY	✓		
SARBER			✓
MAYOR (Tie Vote Only)			N/A
4 AFFIRMATIVE VOTES REQUIRED FOR PASSAGE			

EXHIBIT N

Additional Information Not Part of the Formal Petition to Incorporate a Borough

In addition to the information required for the petition, DCRA encourages petitioners to provide supplemental information that would be useful in the analysis and consideration of the consolidation proposal. Included as supplemental information for this Consolidation Petition are:

The current operating budgets for:

1. The City of Ketchikan
2. The Ketchikan Gateway Borough
3. The Ketchikan Gateway School District

These documents are available under separate cover.

EXHIBIT O
Supplemental Information Not Part of the Petition

EXHIBIT O-1
**Copy of Most Recent Audit of Each Municipal Government
Proposed for Consolidation (Including School District)**

Copies of the most recently completed audits of the City of Ketchikan, the Ketchikan Gateway Borough and the Ketchikan Gateway School District are available under separate cover.

EXHIBIT O-2

**Copies of Newspaper Articles Concerning the
Consolidation Effort**

EXHIBIT O-3

**Survey Questionnaire Conducted by the Ketchikan Charter
Commission and a Summary of Results**

EXHIBIT O-4

Political Cartoons Regarding the Ketchikan Charter Commission

EXHIBIT O-1

Copy of Most Recent Audit of Each Municipal Government Proposed for Consolidation (Including School District)

Copies of the most recently completed audits of the City of Ketchikan, the Ketchikan Gateway Borough and the Ketchikan Gateway School District are available under separate cover.

EXHIBIT O-2

**Copies of Newspaper Articles Concerning the
Consolidation Effort**

Saturday/Sunday, Jan. 17-18, 2004
KETCHIKAN DAILY NEWS

KETCHIKAN CHARTER COMMISSION/official count										
The Borough Assembly certified results of the Jan. 13 election on Jan. 15, 2004.	TOTAL	Kln. City 1	Kln. City 2	Kln. City 3	North Tong. 1	North Tong. 2	South Tongass	Saxman	Absentee	Questioned
AT-LARGE (1 seat)										
Thompson, Glen	839	108	193	114	63	149	134	10	37	31
Williams, Joe	523	76	85	55	52	114	77	19	18	27
RURAL SEATS (3)										
Finney, Brad	796	98	185	99	72	154	114	11	32	31
Harrington, John	664	82	140	76	57	141	104	10	21	33
Kiffer, Jerry	638	71	118	78	61	157	83	14	28	28
Johnston, Joe	513	88	130	74	34	63	85	6	16	17
Jensen, Mike	390	35	53	28	71	104	47	12	15	25
Tombaugh, Richard	377	56	79	64	20	49	74	5	15	15
Sallee, Michael	386	54	59	33	39	83	65	12	18	23
Reeser, Robert	293	25	50	28	41	88	42	5	6	8
CITY SEATS (3)										
Painter, Mike	583	51	106	73	69	153	80	7	25	19
Otto, Deborah	536	78	123	73	31	103	79	4	19	26
McCarty, Dennis	524	100	128	56	32	72	74	14	20	28
Muench, Eric	395	23	47	35	71	119	63	8	14	15
Albertson, David	392	32	69	41	68	97	61	4	8	12
Skinner, Robert	380	58	87	60	26	54	58	6	15	16
Jackson, Joel	378	64	85	39	22	56	75	11	8	18
Murphy, Kevin	343	40	87	46	17	64	47	6	16	20
Miller, A. Fred	280	54	65	53	13	28	29	8	21	9
Stanton, Loren	274	36	54	29	31	45	44	7	15	13
Carro, Justin	119	19	20	8	7	26	28	1	2	8

KDN Graphic/SOURCE: Ketchikan Gateway Borough

1-20-04

Locals give advice to new Charter Commission

By TOM MILLER
Daily News Staff Writer

The Ketchikan Charter Commission will meet for the first time Wednesday at 6:30 p.m. in Ketchikan City Council chambers. The public is invited to attend the meeting, according to the commission.

What should they do? What advice would you give the commission?

The Daily News found people on the street to answer that question after last week's Charter Commission election.

Judy Berg advised: "Study it carefully. Keep the city and the borough happy so

we can have a unified, single voice."

Berg was not alone in urging the commission to move forward and write a charter for consolidation of Ketchikan Gateway Borough and City of Ketchikan governments.

"It's time to get cracking, boys," said Chris Wilhelm.

But Mark Murdock was skeptical.

"I'm against it," he said. "We need a lot more than consolidation." Murdock cited the results of a recent controversial bidding process regarding borough-owned land at Herring Bay, and said. "We need

some integrity."

Deb Turnbull urged commissioners to "keep their eyes on their goal and don't let the small stuff get in the way."

Bill Smart said, "I wish them luck. I'm for consolidation. It'll be a tough deal to get done, to please everybody."

Justin Carro, one of 21 candidates who ran for election, but who failed to win one of the commission's seven seats, advised the successful candidates "to do the will of the people and listen to what they have to say if they want to write a good plan."

Melody McAllister said the commission-

ers "should try to do the best they can to make everybody happy. They probably can't make everybody happy, but make sure everybody is represented."

Brian Warmuth said residents want a clean process. "Be honest with the numbers," he said. "No spin. People in the borough are hesitant about unification."

The time for consideration might be short, said Carrie James, but she added: "I would recommend they get all the facts and not make any hasty decisions."

E-mail: tommiller@ketchikandailynews.com



Berg



Carro



James



McAllister



Murdock



Smart



Turnbull



Warmuth



Wilhelm

Tuesday, Jan. 20, 2004
KETCHIKAN DAILY NEWS

First meeting Wednesday

By JOANNA MARKELL
Daily News Staff Writer

A newly elected commission in charge of writing a charter to consolidate Ketchikan's city and borough governments will begin work this week.

The seven-member commission will meet at 6:30 p.m. Wednesday at City Council chambers. Voters elected Glen Thompson, Brad Finney, Jerry Kiffer, John Harrington, Mike Painter, Deborah Otte and Dennis McCarty to the job last week.

Otte said the commission plans to elect officers and establish rules and procedures at Wednesday's organization meeting. Commissioners also need to discuss how they are going to divide up the work, she said.

The commission's meetings are open to the public.
See 'Charter Commission,' page 2

Charter Commission ————— Continued from page 1

Public comment will be important, especially after the low turnout in last week's election, Kiffer said.

"We're going to encourage a lot of public input," he said. "We're hoping to get a considerable amount of people to these meetings, so we might have two sections [at each meeting] for public comment."

The commission must prepare a formal consolidation petition by September and submit it to the bor-

ough, according to a framework outlined in an October voter-approved initiative. The borough must submit the petition to the state's Local Boundary Commission without changes by Sept. 30. During a stop in Ketchikan earlier this month, LBC staff member Dan Bockhorst said the commission can add to the charter after it is submitted.

The LBC and then local residents will vote on the final product.

Kiffer said the commission also needs to develop a timeline.

"I think we need to get some sort of an idea of how long this is going to take, which should answer some of the budget questions," he said. "I don't want to gloss over this charter. ... I think we've got this one chance to do this and it's got to be done right."

The Ketchikan Gateway Borough Assembly has set aside \$10,000 for the charter commission, contingent

on matching funds from the city.

Borough Manager Roy Eckert said the commission also will need help from local government staff.

"To make this work, there's going to have to be some staff time and it's going to have to be paid for somehow," he said. "There's an awful lot of information that's going to need to be gathered."

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How it's done

EDITOR, Daily News:

In this recent election we were asked to confirm members of a commission to write a charter for consolidation of local governments. Having led the process for unification of the City of Sitka and the borough of Sitka, I can give some information on how we accomplished this process. First is a commitment on the part of the leadership of both governmental bodies to assist.

In my case I worked with council members and city staff to keep them informed of progress. Sen. Bradshaw, Borough Mayor, supported my efforts.

Second is a continuous reporting of the actions of the commission in drafting the proposed charter. Concessions must be made to get acceptance by voters.

By reducing positions to cut back on personnel, we reduced the taxes for all the voters from 3.5 mils to one-half mil.

We also guaranteed the folks outside the city that they would not be charged for services they were not receiving until such time that they were included in the benefit.

Third, do not include areas of the borough for whom you cannot provide service.

In Sitka's case, I received a call from the mayor of Port Alexander about six months after the vote was taken.

They decided to withdraw from the new government due to our not being able to provide services.

The council immediately endorsed their request. It was accepted by the state.

Finally, keep an open mind, be educated to the charter as it is written, and be involved in discussion with those members who represent your views on items that will affect you!

1-21-04

LES SHEPARD
Ketchikan

THURSDAY, JAN. 22, 2004

Charter Commission takes first steps

Newly created body commits to open process

By TOM MILLER
Daily News Staff Writer

The Ketchikan Charter Commission organized itself Wednesday night at its first meeting and discussed how it might create an open forum for the public to consider consolidation of Ketchikan Gateway Borough and City of Ketchikan governments.

The commission will be looking for public comment at its next meeting regarding its regular meeting day.

Six of the seven members elected were present for the meeting at Ketchikan City Council chambers. Brad Finney was absent. The others unanimously elected Glen Thompson chair, Mike Painter vice chair and Debbie Otte secretary.

The commissioners also voted unanimously to approve resolutions establishing requirements for a quorum (four) and the number of votes required to pass motions (four), and setting an order of business for future agendas.

The commission discussed budget ideas that Otte had drafted. It contained cost estimates regarding office space, a full- or half-time staff assistant and office supplies. However, commission members agreed that Otte and Thompson should prepare a more detailed list of the group's needs for consideration at a future meeting.

While agreeing that office and record-keeping expenses could be costly, Thompson said: "I want to operate on a shoestring, not go off willy-nilly spending the public's money."

At Thompson's suggestion the commission will meet weekly in order to make its September deadline for writ-

ing a consolidation charter. Members were unable to agree immediately on a regular day of the week to meet, but agreed that the commission also should ask the public to suggest a convenient day.

The public's first chance to weigh in on that question will be on a Friday at the commission's next meeting at 5:30 p.m., Jan. 30, in Council chambers.

Painter asked whether the commission should continue meeting in Council chambers. The other members agreed it should. Thompson said the room is perfect because it is a known public forum, has plenty of room for the public and is wired for microphones and for the commission to broadcast its meetings.

"We can't operate this commission in a vacuum," Thompson said.

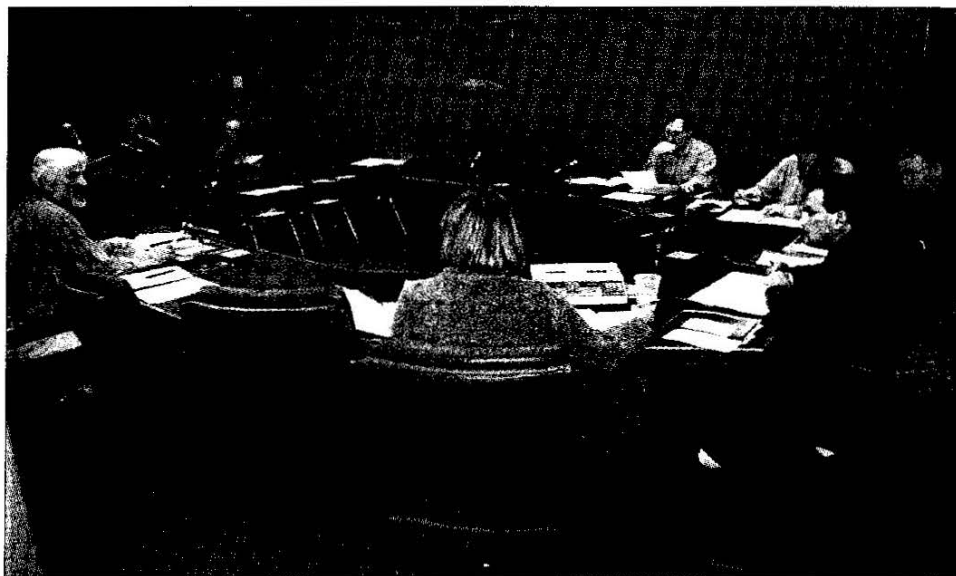
The commission then considered how it might create an online public forum on Sitnews, a local Web site, where people could read and post e-mail messages and find links to online documents. Commissioners agreed that all business conducted by e-mail, and all e-mail conversations between members, should be automatically forwarded to such a forum.

During public comment Eric Muench congratulated commissioners for addressing the need for an open process, but warned that it will be difficult to write a charter acceptable to rural residents.

Muench, a city resident, ran a failed anti-consolidation campaign for election to the commission. He reminded commissioners that he came in second to last among in-city voters — but was the second-highest vote-getter among rural voters.

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January 22, 2004



Dennis McCarty, left, speaks to fellow charter commissioners, counterclockwise from center, Deborah Otte, Glen Thompson, Mike Painter, John Harrington, and Jerry Kiffer on Wednesday night at the commission's first meeting. Thompson was chosen to chair the group, which includes Brad Finney, who was out of town Wednesday.

Staff photo by Hall Anderson

AROUND TOWN

1-30-04

Charter Commission to meet

KETCHIKAN (KDN) — The Ketchikan Charter Commission on Friday will consider its finances, communication with the public and how to begin writing a draft consolidation charter.

The commission will meet at 5:30 p.m. at Ketchikan City Council chambers.

Under old business, first addressed at its Jan. 21 organizational meeting, the commission will consider information regarding a possible Web site and anticipated expenses.

Under new business, the body will consider:

- Adoption of the City of Ketchikan's 2001 consolidation petition as a working draft that the commission would re-write.
- How to structure the work of writing a charter.
- A format for its meeting minutes.
- Possible funding the commission could obtain from the Alaska Local Boundary Commission through the Ketchikan Gateway Borough.

There is a time for public comment at the beginning of the meeting.

1-31-04

Charter panel begins its work

Will meet every Friday, for now

By TOM MILLER
Daily News Staff Writer

The Ketchikan Charter Commission will use the City of Ketchikan's 2001 consolidation documents as a working draft while writing a new consolidation charter and petition.

The commission voted unanimously to adopt that approach at its regular meeting Friday night. Commissioners also voted unanimously to compare the city papers, section by section, to similar sections adopted in successful consolidations in Haines, Juneau and Sitka.

Commissioner John Harrington made the suggestion to use the comparison approach as a means to stimulate thought, "just as an aid to discussion, nothing more."

He provided an example of how the process would work in the meeting agenda. It contained the preamble sections from the Ketchikan, Sitka, Juneau and Haines charters. It also compared Article I from each charter, which contained statements about the name, the type of government, boundaries and powers of each borough.

Harrington said a section could be provided at each of the commission's weekly meetings. Commissioners, and anyone else interested in that section, would take the material to read. At the next meeting, the section would be discussed by commissioners and the public, said Harrington. At a third meeting, the commission would adopt its draft language for that section, he said.

Following the vote on the method of proceeding, Harrington volunteered to begin the process of cutting and pasting sections from the four charters, beginning next Friday night with the preamble and Article I sections.

See 'Charter process,' page A-2

1-31-04

Charter process

Continued from page A-1

The public would be able to follow the commission's weekly progress, and obtain copies of sections it is working on, by obtaining its agenda documents at an online forum. The commission voted unanimously Friday to establish a Web page that will offer links to post comments, e-mail the commission, download agendas and other documents and to read e-mail the commission receives.

Commission Secretary Debby Otte said she would seek out other locations in Ketchikan where agendas and other documents would be available to the public.

The commission also discussed money: how much it needs to perform its work, where it might find it, and what has been committed thus far.

Commission Chair Glen Thompson and Otte provided a draft budget anticipating expenses of \$26,000 for rent, office supplies, furniture and part-time clerical support.

The commission voted unanimously to attach the draft budget to letters Thompson will write to local governments, office supply businesses, and other organizations to request money or in-kind support.

It also voted unanimously to accept a \$10,000 grant from the Alaska Local Boundary Commission to be administered through the Ketchikan Gateway Borough.

The money will go through the borough because the commission has no corporate structure and the borough will be the official petitioner at the end of the process, according to a memo from Thompson.

In other business, the commission voted unanimously to meet each week, at least for the next few months, at 6 p.m. Fridays in the City Council chambers. Thompson and other commissioners agreed that Friday is not a great meeting night, but that other governing bodies are using the chambers on every other weeknight. He agreed with Commissioner Brad Finney that Fridays would not work in the summer months.

Commissioners also voted unanimously to maintain meeting minutes in a format similar to city and borough minutes and to keep audio and videotapes of its proceedings. Commissioners said they don't want extensive, verbatim written minutes.

"We're here to cut down on government, right?" Commissioner Jerry Kiffer said. "Let's start right here."

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2-4-04



Charter Commission considers charter preamble

KETCHIKAN (KDN) — The Ketchikan Charter Commission plans to begin rewriting portions of the 2001 City of Ketchikan consolidation charter petition at its 6 p.m. meeting Friday.

At its last meeting, the commission decided to compare small portions of the city's petition each week to similar sections in documents from Haines, Sitka and Juneau and to adopt or rewrite the best from each. Friday's topics are the preamble and Article I, which is about the name and the style of the proposed new government, along with its boundaries and powers.

The group has until September to submit a draft charter for consolidation of the City of Ketchikan and Ketchikan Gateway Borough governments.

The commission Friday also will consider a list of questions to include in a survey of Ketchikan-area residents; and information regarding the powers and funding for service areas in the Ketchikan Gateway Borough.

The commission accepts public comment at the beginning of its regular weekly meetings in City Council chambers.

SATURDAY/SUNDAY, FEB. 7-8, 2004

'Ketchikan' will do

By TOM MILLER
Daily News Staff Writer

The Ketchikan Charter Commission on Friday began editing its draft charter by deleting the words "Municipality of" from the name of the proposed consolidated borough it would describe.

Following a brief preamble, Article I in the draft had stated: "The municipal corporation shall be known as 'Municipality of Ketchikan.'" The commission voted 5-1, with Commissioner Mike Painter voting no, to amend that to: "The municipal corporation shall be known as 'Ketchikan.'"

It goes on to say that "the municipality may use the name 'City and Borough of Ketchikan.'"

The preamble now states: "We the people of the greater Ketchikan area, in order to form an efficient and economical government with just representation, do hereby ordain and establish this Charter of the municipality of Ketchikan." The only change was the reduction of a capital "M" in "Municipality," as in a name, to a small "m" as in a descriptive noun.

Commission Chair Glen Thompson noted that that change should be made
See 'Charter Commission,' page A-2

Charter Commission ————— Continued from page A-1

throughout the charter wherever the word "municipality" appears.

The commission's method is to consider the wording of its draft charter — originally written by the City of Ketchikan for use in the failed 2001 consolidation election — by comparing it to documents used in other successful efforts.

In addition to the preamble and name sections, the commission Friday considered sections labeled "Type and Class of Government," "Boundaries" and "Powers."

The first two remained as originally written; that Ketchikan will be a home rule borough with an assembly/manager form of government, its boundaries will be the same as the Ketchikan Gateway Borough's are on the date of ratification of the charter. They may be changed as allowed by law.

The final section regarding powers was shortened to read: "The municipality may exercise all powers of a home rule borough not prohibited by law or by this charter."

The deleted sentence was: "All powers of the municipality shall be exercised in the manner prescribed by this charter or applicable laws or, if the manner is not thus prescribed, then in such a manner as the Assembly or other authority may prescribe."

At its next meeting on Friday, the commission will attempt to compare and edit several more complicated sections of its draft charter. The material in "Article II: The Assembly" refers to legislative powers of the Assembly, terms of office, representation, qualifications, officers, and many other aspects of the assembly's organization.

Information contained in commission agendas is available online at www.sitnews.org, under the "Ketchikan Charter Commission Forum."

Also Friday, the commission authorized Commissioner Jerry Kiffer to develop regular communication with the

public.

Kiffer had placed the item on the agenda, he said, because "I'm just very anxious to get the public involved in it."

At another point in the meeting, Kiffer said: "We have to get this room filled."

Three members of the public attended portions of Friday's meeting.

In other business, the commission:

- Deferred consideration of questions to include in a community survey until its Feb. 20 meeting.
- Adopted Robert's Rules of Order as a guideline to conduct meetings.
- Discussed the nature of borough service areas. Commissioner John Harrington said the commission should invite board members from the various service areas to talk to the commission about how service areas work.
- Asked Borough Clerk Harriett Edwards for help in advertising and hiring a 20-hour-a-week assistant to the commission.
- Authorized traveling commissioners to participate in meetings by telephone.

Two people spoke to the commission during public comment periods.

Chuck Slagle said the commission should craft a document that includes a vision of the future.

"This consolidation should be about what we're going to be 10 years from now," Slagle said.

Ted Jacobson said consolidation is necessary to end divisiveness in the community.

"It's been like the grade school playground around here lately," he said.

The City of Ketchikan and Ketchikan Gateway Borough governments are unable to speak to one another at this time, he said.

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SATURDAY/SUNDAY, FEB. 14-15, 2004

Panel studies Assembly make-up

By **TOM MILLER**

Daily News Staff Writer

The Ketchikan Charter Commission continued Friday moving through its process of considering sections of its draft consolidation charter, making some changes and highlighting areas sections for additional study.

Friday's discussions included the organization of a governing assembly and public notice of meetings.

The commission voted unanimously to approve the preamble and general description of the proposed new borough government for "Ketchikan," which could also be known as the City and Borough of Ketchikan.

The commission voted 5-1, with Jerry Kiffer dissenting, to restore a sentence it had previously deleted from the section on powers:

"All powers of the municipality shall be exercised in the manner prescribed by this charter or applicable laws or, if the manner is not thus prescribed, then in such a manner as the assembly or other authority may prescribe."

The sentence was restored after the commission asked City Attorney Steven Schweppe and Alaska Local Boundary Commission employee Dan Bockhorst why it had been used in the 2001 City of Ketchikan consolidation petition. They said it was to allow the "greatest flexibility."

The commission Friday began considering Article II, which describes the assembly and its powers, employees, terms of office and other aspects of its organization and operations.

See 'Charter Commission,' page A-3

February 14/15, 2004 — Continued from page A-1

Charter commission

Dennis McCarty offered an amendment that would make the borough's chief financial officer a direct employee of the Borough Assembly. Some other commissioners agreed with the idea but John Harrington questioned the wisdom of removing that position from the borough manager's supervision. McCarty said it wouldn't hurt to approve the amendment and then get reaction from people who know better. Only Harrington voted against the amendment.

Debbly Otte offered an amendment to require roll call votes on motions appropriating money or passing ordinances. The commission voted unanimously for that measure.

There was lively discussion around the commission table regarding the current method, practiced by the City of Ketchikan and the Ketchikan Gateway Borough, for replacing members who depart the bodies before filling their terms.

Both groups appoint a new member rather than schedule a special election. Often, they appoint a person who failed to win the most recent election, but who received more votes than anyone else who also ran.

The draft charter would leave that practice in place.

McCarty said people consider the

issue from one of two viewpoints: Either the appointed person was very popular and would have been a winner if only one more seat were available; or the voters were trying to say that this person is not wanted on the governing body, said McCarty.

Otte suggested leaving the issue as it is in the draft charter and waiting for advice from the public.

Another discussion ensued when Kiffer proposed an amendment to remove the words "whenever practicable" from a section calling for public notice of and special meetings.

The three-sentence section states: "The assembly shall meet regularly and at such times and places as shall be prescribed by ordinance. Special meetings shall be held at the call of the mayor or of four or more assembly members and, whenever practicable, reasonable notice shall be given. All meetings of the assembly shall comply with the Alaska Open Meetings law and other applicable laws regarding such meetings."

McCarty and other commissioners said that the phrase "whenever practicable" gives the assembly "wiggle room" when extraordinary circumstances arise. The phrase, "reasonable notice shall be given," is key, he said. Normally, that means the

assembly will advertise its meetings for one or more days in advance, but in the case of a natural disaster, the body might need to meet as soon as possible, he said. In that case it might be reasonable to publish an urgent bulletin on local radio stations an hour before the meeting and send a car with loudspeakers out on busy streets, said McCarty.

He added that the final sentence, with its reference to the Open Meetings Act, also safeguards the public interest.

Only Kiffer voted in favor of his amendment.

The commission voted unanimously to approve Article II as amended.

It will come back to the commission at least once more and is open to change at the commission's will.

Under discussion of Article III, regarding legislation, Chair Glen Thompson offered an amendment allowing the assembly to repeal emergency ordinances by resolution and stating that such ordinances would be removed from the municipal code automatically 60 days following their passage. The assembly would be able to retain any ordinance by approving it in the normal legislative process, he said.

That amendment was approved

unanimously, as was Article III as amended.

Commissioner Brad Finney was absent from the meeting. The commission meets again next Friday to discuss Article IV, regarding the municipal manager and administrative departments, and Article V, regarding nominations and elections.

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THURSDAY, FEB. 19, 2004

City eyes support for charter panel

By **LEILA KHEIRY**
Daily News Staff Writer

The Ketchikan City Council on Thursday will consider what support the city should provide to the newly formed Ketchikan Charter Commission.

The council meets at 7 p.m. Thursday in City Council chambers.

The commission, which is starting work on a charter that would consolidate the city and borough, has asked the city to provide a small handicapped-accessible office, staff support and possible financial assistance.

In a memo to the council, City Manager Karl Amylon said the Ketchikan Gateway Borough Assembly plans to consider an ordi-

nance that would provide \$10,000 to the commission if the city contributes an equal amount. Because the commission is using the city's 2000 consolidation petition — which cost the city approximately \$250,000 — as its starting point, Amylon wrote, "A legitimate question is whether the City Council should be expected to directly contribute financial resources above this amount."

Amylon said in the memo that the city has accessible space available at the former Senior Day Services office on Main Street that the commission could use. A surplus computer and copier also could be made available to the commission, he wrote.

See 'City Council,' page 2

City Council ————— Continued from page 1

Staff support might be more difficult for the city to provide, said Amylon, because city employees are busy with day-to-day work. In addition, he wrote, "If the commission's final product is a petition that the City Council ultimately cannot support, opposing it at a later date may prove difficult if city staff were active participants."

The City Council also is scheduled to decide whether to declare some city equipment as surplus during its regular meeting Thursday.

The City of Ketchikan and Ketchikan Public Utilities plan to sell about 20 vehicles and other equipment that are "worn out and unreliable," for the city's needs, according to a city memo.

The vehicles include five police vehicles, several trucks, vans and

SUVs; a 1978 fire engine and a boat trailer, according to the memo. Some of the other equipment includes desk, chairs and file cabinets; computer components, a portable core drill, two concrete floats, a snowplow blade, a 1990 85-hp outboard, two small generators and small office items such as telephones.

City staff has recommended a sealed-bid sale of the items, according to the memo.

An executive session is scheduled Thursday for the council to discuss negotiations with the Public Safety Employees Association, which represents about 15 city police officers up to the rank of sergeant. A time for public comment is set for the beginning of the meeting.

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FRIDAY, FEB. 20, 2004

Office, yes; money, no

Council approves Charter Commission support

By LEILA KHEIRY
Daily News Staff Writer

The Ketchikan City Council voted Thursday to provide limited assistance to the newly formed Ketchikan Charter Commission.

The council voted 5-0 to let the commission use empty city-owned office space and surplus city equipment, but stopped short of providing direct financial assistance or staff support.

Council Member Lew Williams III said he's all for helping the commission get its work done.

"I want to be as helpful as possible," he said.

The charter commission was formed after a special election in January. The seven members are to research and draft a plan to consolidate Ketchikan's city and borough governments. The state recently approved a \$10,000 grant for the commission and the Ketchikan Gateway Borough Assembly on Tuesday tentatively approved an additional \$10,000.

Commission Member Glenn Thompson said Thursday that office space and equipment are all the commission requests from the city. He said the commission plans to hire staff and has withdrawn an earli-

er proposal for city staff support.

Council Member Steve Williams said the majority of Ketchikan's voters approved the commission, so the city should support the new body's work. He said he would not support direct financial assistance, however. Steve Williams said it was not made clear to voters that the commission's work would cost money, and city taxpayers should not bear the financial burden.

Also Thursday, the council agreed to reconsider a vote from its last meeting regarding the dock vendor bidding process.

Some local tour operators expressed concern during public comment Thursday that vendors whose tours are sold aboard cruise ships have been excluded from the bidding process.

John Malouf, who owns and operates the amphibious "duck" bus tour, said that while he sells aboard the cruise ships, the success of his business also depends on dock-sold tours.

Charter boat operator Larry Jackson agreed. He said that although only a small percentage of his business is sold aboard ships, the ordinance would exclude him

See 'City Council,' page 2

City Council —

from selling on the dock.

Council members agreed to reconsider the ordinance during their March 4 meeting.

Following another City Council action Thursday, drivers who don't carry proof of auto insurance now will pay a \$150 fine to the city rather than the state.

Since the state started requiring proof of insurance in July of 2002, city police have been issuing citations to drivers who don't comply, according to a memo from City Attorney Steve Schweppe. However, because the city did not have a parallel law, the fines were collected by the state. The council's action Thursday allows the city to collect the fine instead, which

Schweppe estimated will bring in about \$5,000 annually.

The council also voted to declare some city equipment as surplus. The City of Ketchikan and Ketchikan Public Utilities will sell about 20 vehicles and other equipment that are "worn out and unreliable," for the city's needs, according to a city memo.

The vehicles include police vehicles, trucks, vans, SUVs, a 1978 fire engine and a boat trailer, according to the memo. Some of the other equipment includes desks, chairs and file cabinets; computer components, a portable core drill, two concrete floats, a snowplow blade, a 1990 85-hp outboard, two small generators and small office items

such as telephones.

City staff had recommended a sealed-bid sale of the items. Council Member Jim Wingren suggested the city schedule an auction instead, and Assistant City Manager Jim Voetberg said he would direct staff to look into the auction alternative.

As of press time, the council had entered into an executive session to discuss negotiations with the Public Safety Employees Association, which represents about 15 city police officers up to the rank of sergeant.

Council Members Chuck Freeman and Bob Norton were absent from Thursday's meeting.

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Working charter ready next month

By TOM MILLER
Daily News Staff Writer

Ketchikan Charter Commission Chairman Glen Thompson told a Chamber of Commerce luncheon Wednesday the Ketchikan Charter Commission's draft charter should be done next month. Thompson gave an update on the commission's recent activities.

Ketchikan voters created the commission last fall. It has until September to produce a charter for a new borough that would consolidate the current governments of the City of Ketchikan and the Ketchikan Gateway Borough. It also must produce a charter petition, a transition plan and a proposed three-year budget for the new government.

The commission began meeting in January and has been using the City of Ketchikan's 2001 draft charter as its own working draft, said Thompson. The group is comparing the working draft to consolidation charters from other Southeast Alaska communities; retaining what it likes and discarding or amending other portions, he said.

The commission will finish creating its own draft in April, said



Debby Otte of the Ketchikan Charter Commission and Glen Thompson, commission chairman, listen to a question from the audience during the Greater Ketchikan Chamber of Commerce luncheon Wednesday.

Staff photo by Hall Anderson

Thompson. It will then work on the charter petition, the formal document to tell why the community should consolidate, he said.

Thompson said the most difficult

job to accomplish before September will be to write a budget, because so many financial conditions have changed in recent years.

Thompson said some of the items

already addressed by the commission include:

- Changing the name of the proposed new borough from "Municipality of Ketchikan" to "Ketchikan." The new borough could use the more formal name "City and Borough of Ketchikan" whenever necessary, according to the draft charter.

- Allowing the new assembly to decide how much the borough manager may spend without assembly action.

- Defining the borough clerk's duties and procedures for conducting elections. Thompson said the commission received valuable help from city and borough clerks regarding those items. As a result, the draft was stripped of many words because issues already are described fully in state law, he said.

- Education issues, including qualifications of School Board candidates and streamlining of the Ketchikan School District's budget process.

Thompson said the commission has identified some issues of concern, including:

- The number of assembly

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March 25, 2004

Charter Commission — Continued from page 1

members and whether they should be elected by district or at-large as good advice from city and borough officials.

- Whether vacant seats on the assembly should be filled by appointment or special election.
- Issues related to Ketchikan Public Utilities.
- How service areas should be organized.

Thompson said the commission has received financial and in-kind help from the City of Ketchikan and Ketchikan Gateway Borough, as well

Thompson said commission members had agreed to "keep it simple," and several members of the luncheon audience applauded that sentiment.

The seven-member commission meets each Friday in Ketchikan City Council chambers at 6 p.m. The meetings are televised on cable channel 11.

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LOCAL

Friday, April 16, 2004
KETCHIKAN DAILY NEWS

Commission changes meeting schedule

By TOM MILLER
Daily News Staff Writer

The Ketchikan Charter Commission is changing its regular meeting schedule to every other Wednesday at 6 p.m. in Ketchikan City Council chambers, rather than every Friday.

The first meeting on the new schedule will occur Wednesday, according to a commission announcement.

Ketchikan Gateway Borough voters created the commission in the October municipal election and

elected its seven members on Jan. 13.

So far, the commission has considered all the sections in its draft consolidation charter one time, said Commission Chairman Glen Thompson.

Commissioners next will consider a proposed budget, a transition plan and a petition to consolidate the City of Ketchikan and Ketchikan Gateway Borough governments, he said. The commission has until September to complete its work and submit documents to the Alaska Local Boundary

Commission through the Ketchikan Gateway Borough, said Thompson.

Until then, he said, the draft charter and other documents remain open for amendment, he said. The public is encouraged and welcome to participate in the process, said Thompson.

If necessary to meet its deadline, the commission will schedule extra meetings on Fridays he said.

"The intent is to get the job done," Thompson said.

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Commission mulls petition

By TOM MILLER
Daily News Staff Writer

The Ketchikan Charter Commission on Wednesday began rewriting its draft consolidation petition document.

As it did with its proposed charter over the past three months, the commission has adopted as a working draft the City of Ketchikan's 2001 petition.

That attempt failed to win voter support to consolidate the Ketchikan Gateway Borough and City governments, but the documents provide a format containing boilerplate information describing the existing governments and proposed changes.

A charter is the functional equivalent of a constitution and the petition is the formal request to the Alaska Boundary Commission to act on the request to consolidate.

The commission easily can rewrite sections of the documents for philosophical or practical reasons. Several sections that were pertinent in 2001, but which are moot points in 2004, were deleted in quick order Wednesday night. Most of those included references to then ongoing annexations of areas by the City of Ketchikan.

Some other clerical changes were necessary because the 2001 effort occurred at the instigation of the city government, while the Charter Commission is the result of a citizen-sponsored initiative.

The commission will continue to adjust the petition as it obtains updated numbers to insert in budget and population sections of the petition.

The commission also took a first look at several exhibits it will attach to the consolidation charter before submitting it to the Borough Assembly for forwarding to the Alaska Local Boundary Commission by September.

"Exhibit A: Statement of principal reasons for the proposal to consolidate," drew several comments from commissioners who said the 2001 version of the document didn't provide enough information regarding how one government would be more efficient than two.

"We need to show hard data about where we're getting (the savings we claim are there)," said John Harrington.

Jerry Kiffer agreed.

"Solid, realistic numbers need to be generated," Kiffer said. "There will
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Charter Commission

Continued from page 1

still be the same number of garbage cans (in the area)."

Dennis McCarty said taxpayers certainly would save money by reducing the number of City Council and Borough Assembly members from 14 to seven. All those elected officials now receive a small salary for their service, he said. Most of them also become eligible for the state's Public Employee Retirement System benefit, said McCarty. That cost to local taxpayers is higher than the salary expense, he said.

McCarty receives about \$300 a month now because he previously served in the past on the Ketchikan School Board and the Borough Assembly, he said.

All work on the charter, petition and exhibits is being done in the form of amendments. The documents remain open for amendment until the commission must take final action before the September deadline, said Commission Chairman Glen Thompson.

In later meetings, the commission will consider a transition plan and an initial budget for a new, consolidated municipality to be known as Ketchikan.

The commission's meeting Wednesday was the first on its new schedule of meeting every other Wednesday. It formerly met every Friday. Its next meeting is scheduled for 6 p.m. on May 5.

2 months to draft of charter

Commission changes regular meeting schedule

By LEILA KHEIRY
Daily News Staff Writer

The Ketchikan Charter Commission is about two months away from releasing its first draft of a petition to consolidate Ketchikan's municipal governments.

Commission Chair Glen Thompson said Monday that he expects the commission to send a draft petition to the Ketchikan City Council, Ketchikan Gateway Borough Assembly and the Saxman City Council for review in late July or early August.

So far, said Thompson, work on the consolidation petition has been going well and seems to be on schedule. The commission had been meeting on alternate Wednesdays, he said, but as of June 11, commission members started meeting every Friday, as they had at the commission's inception.

The seven commissioners were elected in January to create a consolidation document. They have until Sept. 30 to submit a charter to the state Local Boundary Commission, which then will review it to make sure the document is legal and follows state regulations.

Following state review, which could take between three months and two years, the charter will come back to Ketchikan. Area voters then will decide whether to consolidate their two governments. Saxman is not included in the consolidation plan, but Saxman residents would be eligible to vote on the issue because they are borough residents.

Thompson said Monday that the commission is working on the budget for the future consolidated government. He said commission members are taking the borough and city budgets, combining them and then allocating funds to various service areas within the borough. They still have to wait for the final borough budget, he said.

'We're trying to just be Ketchikan from end to end of the road.'

— Glen Thompson,
Charter Commission chair

Following that, he said, the commission plans to go back to the draft charter to "fine tune" the document. So far, said Thompson, the commission has made a lot of little changes to the document, which is the one submitted by the City of Ketchikan in 2001. Voters rejected that consolidation proposal.

Thompson said the biggest change the commission made to the charter so far is to set a cap on property tax. The number hasn't been finalized, he said, but the commission wants to establish a limit that could be raised only by a vote of the people.

Another issue, said Thompson, is the name of the future municipality. He said commission members want to call the entire area simply Ketchikan.

"We're trying to just be Ketchikan from end to end of the road," he said.

The proposed charter also would allow the municipality to call itself the City and Borough of Ketchikan. However, he said, some people have expressed concern that the municipality then would be confused with the future Ketchikan Service Area — the current City of Ketchikan.

The commission likely will discuss that, the property
See 'Charter Commission,' page 2

THURSDAY, JUNE 17, 2004

June 17, 2004

Charter Commission ——— Continued from page 1

tax cap and the budget at its next meeting, said Thompson. The Ketchikan Charter Commission meets at 6 p.m. Fridays in City Council chambers. Public comment is scheduled for the beginning of the meetings.

Public input has been sparse so far, said Thompson. Few people attend commission meetings other than city and borough representatives, he said, and input through the commission's Web site also has been light.

Thompson said that means either they are doing a good job or people are waiting for the final document.

Some input was received through an Internet survey that ended April 18. According to the results, areawide services are preferred although Ketchikan-area residents want to keep rural service areas and elect representatives by district.

About 250 people participated in the survey, according to the commission's Web site, with about 150 of those residing within the City of Ketchikan.

The majority of those who took the survey said they wanted the new government to have areawide power over parks and recreation, public transportation, animal control, economic development, emergency 911 dispatch, the library, museums, the Ted Ferry Civic Center, mental health and substance abuse services, Ketchikan General Hospital, the cemetery, solid waste disposal, ports and harbors, police, Emergency Medical Services, building code enforcement, fire suppression, and street and road maintenance.

The only item on the list that the majority of survey-takers didn't want as an areawide service was wastewater collection.

Although some comments indicated a strong dislike of consolidation, most were in favor of the concept. Those who submitted comments also said they want to make sure they pay only for those services they receive.

Some suggested a seasonal sales tax to help increase revenue, and one person suggested a special sales tax for businesses such as rental car agencies, jewelry stores and restaurants.

The draft charter, survey results and more can be viewed online at www.sitnews.org, where there is a link to the commission's Web page.

E-mail: lkheiry@ketchikandailynews.com

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FRIDAY, JULY 9, 2004

Panel votes for areawide EMS

By TOM MILLER

Daily News Staff Writer

The Ketchikan Charter Commission voted 4-3 Wednesday to make fire protection and emergency medical services an areawide function in the proposed charter for a consolidated borough.

Commission members Jerry Kiffer, Brad Finney and Mike Painter voted against the motion that would have the effect of unifying the North Tongass Fire Department, City of Ketchikan Fire Department and the South Tongass Fire Department. Commissioners Glen Thompson, Dennis McCarty, Debbie Otte and John Harrington voted in favor of the areawide service.

The proposal — submitted by Harrington, Ketchikan Fire Department Chief Rich Leipfert and Ketchikan City Attorney Steve Schweppe — seeks to establish equitable services and charges for those services in the proposed new municipality, according to an agenda statement.

The proposal must pass a second reading before going into the proposed charter.

Commission Chairman Thompson said Thursday that service levels in the various areas would remain the same. Rural residents would pay slightly less for the consolidated service than they pay now, while in-town residents would pay about the same, said Thompson.

But Kiffer said Thursday that rural residents probably would demand services equal to those in the urban area, which would result in higher costs. Equal service would require an additional station south of Ketchikan, and another north, as well as an additional 18 employees to provide round-the-clock protection, said Kiffer.

"That's a million dollars right there," Kiffer said.

Putting all fire and EMS service in a single department also would affect the current 50 volunteers now manning the two rural departments, said Kiffer. As one example, he said, the rural departments have less stringent physical fitness requirements than the in-town department.

Thompson said the commission's goal is to consolidate as many functions as possible for the greatest efficiency, while maintaining services at current levels and not raising taxes.

"That's exactly what this would do," Thompson said.

Kiffer said the issue doesn't challenge his support for consolidation as a way to simplify government and reduce overall costs. But he said the fire and EMS service providers should continue learning to work together, as they have been since the creation of the North Tongass Fire Department. They could be unified, if that action is deemed advisable in the future, he said.

The issue will come up again at the commission's July 23 meeting.

"We're looking to get input from the public," Thompson said.

Area voters created the Charter Commission in October and elected seven commissioners in January. The commission has until September to write a

Charter Commission — Continued from page 1

charter, budget, transition plan and consolidation petition to be submitted to the Alaska Local Boundary Commission through the Ketchikan Gateway Borough.

Thompson said the commission is nearing the end of its work.

"Hopefully, by the middle of August, we'll have the draft ready to go to present to the local governments — Saxman, the borough and the city — for their review and comments, prior to formally submitting it to the borough and on to the state," Thompson said.

In addition to its July 23 meeting, the commission has scheduled meetings on July 29 and 30, he said.

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Charter panel sets hearings

Public input requested on proposed consolidation plan

By **LEILA KHBIRY**
Daily News Staff Writer

The draft consolidation charter is "out on the street," and the Ketchikan Charter Commission has scheduled three public hearings to obtain input from local residents.

The first public hearing is set for 7 p.m. Friday, said Commission Member Deborah Otte on Thursday. The second hearing is 7 p.m. Aug. 20, and the final meeting is set for noon Aug. 28. All three hearings will take place in City Council chambers.

Otte said the draft charter is available at the Ketchikan Gateway Borough office, the City of Ketchikan office and the Ketchikan Public Library. The commission hopes to soon get the draft posted on its Web site at www.sitnews.us/chartercomm/information_forum.html.

Otte said after the public hearings are complete, the commission will have until the end of September to make any needed

changes. The document must be submitted to the state Local Boundary Commission by Sept. 30.

Otte said there will be no time limit on testimony.

"We'll be there until there's no one left to speak," she said. "Hopefully there will be a roaring crowd and we'll be there very late."

The commission hasn't had much public participation at meetings so far, she said.

"We've heard from people that they watch (on television), but evidently we haven't pushed any panic buttons," she said.

Even if people have no problem with the draft charter, she said, "We want to be reinforced that we're doing the right thing."

Otte said the draft charter shifts some of the services currently provided by the city to areawide. Some services already are areawide, but under the proposed charter, the hospital, museum, library, civic center, substance abuse treatment and mental health

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August 13, 2004

Charter Commission ——— Continued from page 1 —

counseling, cemetery, public health, solid waste disposal, emergency 911 dispatch, economic development, animal control, transportation, and parks and recreation, all would be areawide.

Because the services become areawide, the taxes that pay for those services follow, said Otte. The current city sales tax is 3.5 percent, and the current borough tax is 2.5 percent, she said, which together equal a total sales tax of 6 percent within city limits.

Under the draft charter, the city sales tax would go down to 2.25 percent and the borough sales tax up to 3.75. With that, the city taxes would remain the same overall at 6 percent, but borough taxes would increase.

Property tax also would be configured differently, she said. City property taxes would decrease from \$6.70 per \$1,000 of assessed value to \$5.77, and the borough rate, which every property owner pays, would go from \$7.50 to \$8.43 per \$1,000 of assessed value.

With that, the property tax rate within city limits would remain at \$14.20 per \$1,000.

Otte said no one would be paying for services that aren't available to them.

"The services transferred areawide are all services we all utilize and should be paying for," she said.

She said an earlier consolidation charter submitted by the city was rejected by voters in part because rural residents felt their taxes would have increased for no reason. In addition, she said, this charter is different because it was created by an independent group chosen by the people.

"We're there because we're a group of elected citizens rather than either of the municipal bodies," she said. "This is not going to be perceived as a takeover by one or the other. ... People will look at our efforts with a less prejudicial eye."

E-mail: lkheiry@ketchikandailynews.com

Saturday/Sunday, Aug. 14-15, 2004
KETCHIKAN DAILY NEWS

CLARIFICATION

Regarding the story about the draft consolidation charter that ran in the Aug. 13, 2004, edition of the Ketchikan Daily News: The \$8.43 per \$1,000 of assessed value proposed areawide property tax rate would not be an increase of the current borough tax rate outside of Saxman, according to Ketchikan Charter Commissioner Deborah Otte.

MONDAY, AUG. 23, 2004

Council to discuss consolidation draft

City says funding plans flawed

By **LEILA KHEIRY**

Daily News Staff Writer

The Ketchikan City Council has scheduled a special meeting Monday to discuss the draft consolidation charter recently submitted by the Ketchikan Charter Commission.

According to a memo from City Manager Karl Amylon, the draft charter has errors, including an approximately \$1.2 million funding shortfall for the proposed municipality and a \$400,000 shortfall in the first year for the Gateway Service Area — the proposed name for the current City of Ketchikan.

The shortfall for the city's service area would increase by the third year to about \$1.1 million, according to Amylon's memo.

Amylon said he and other city employees believe that because of those shortfalls, the draft charter does not meet state standards and would not be approved by the Local Boundary Commission or area voters.

Some other errors Amylon pointed out include:

- The city and non-areawide property tax rates are incorrect.
- The city transient tax rate is incorrect.
- One-time grants of about \$85,000 for fire protection were included in

the draft charter budget, and should be removed.

- Other one-time grants of about \$500,000 were included and should be removed.

Amylon also wrote that the draft charter does not equitably split the assets of the community. The plan calls for 45 percent of the city's general fund assets to go to the municipality, with the remainder staying with the service area, and for other city funds to be transferred to the proposed municipal government.

"The financial resources that generated the ... assets were derived from within the proposed Gateway Service Area," Amylon wrote. "The ... assets should be either retained by or reserved for the Gateway Service Area for the benefit of citizens living within its boundaries."

He also wrote that the staffing plan is incomplete and should be reviewed.

Amylon presented his concerns to the Charter Commission at its Friday public hearing on the draft charter. The City Council is scheduled to meet at 7 p.m. Monday in City Council chambers. A time for public comment is set for the beginning of the meeting.

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TUESDAY, AUG. 24, 2004

Council discusses draft consolidation plan

Proposed property tax cap likely will be eliminated from charter

By **LEILA KHEIRY**
Daily News Staff Writer

Members of the Ketchikan Charter Commission acknowledged a few errors and oversights in their first draft of a consolidation charter, and promised those mistakes will be fixed after the next commission meeting.

Commissioners Deborah Otte, Dennis McCarty and Mike Painter met Monday with the Ketchikan City Council during a special council meeting called to discuss the draft charter. The city had noted some concerns with the proposal, which Painter said is a work in progress.

In addition to fixing the factual errors — some of the tax rates in the charter were out of date — several members of the commission plan to remove a section that would have established a property tax cap.

Painter said four commission members have tentatively agreed that a tax cap established within the charter would not allow enough flexibility for the would-be municipality. Instead, he said, the commissioners want to establish a tax cap through ordi-

nance that a future municipal assembly could change with a super-majority vote.

Painter said the commission is trying to maintain the status quo wherever possible without raising taxes. If the charter ends up raising taxes for anyone, it likely won't survive a public vote, he said.

During a Charter Commission meeting on Friday, City Manager Karl Amylon expressed concern about how the draft charter distributes assets within the future municipal government. The plan calls for 45 percent of the city's general fund assets to go to the municipality, with the remainder staying with the Gateway Service Area — the proposed future name for what now is the City of Ketchikan — and for other city funds to be transferred to the proposed municipal government.

Amylon stated Friday — and some council members agreed Monday — that the money in those funds was provided by city taxpayers and therefore should remain within the future service area.

Painter said that's a touchy issue. Some services now provided by the city — the library, hospital and civic center, for example — would transfer to

the municipality. The funds that are earmarked for those services should transfer as well, he said. However, he added that the commission is willing to review and reconsider all aspects of the draft charter.

One area the commission wrestled with was fire protection and Emergency Medical Service. McCarty said the commission and many others thought it would make the most sense for those powers to be areawide. However, he said, residents in the different service areas felt strongly that the fire and EMS departments should remain separate.

Painter said areawide fire and EMS will happen someday.

"It's a good thing, it's the right thing, but it's the wrong time," he said, and when the time is right, the departments can bring the issue back to the people.

The commissioners at Monday's meeting agreed that consolidation might not make things cheaper than they are now, but that over time, it would be less expensive than maintaining two governments.

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August 24, 2004

City Council ————— Continued from page 1

There would be one governing body instead of two, said McCarty, as well as one mayor, one manager, a primary attorney and one clerk, which would save a significant amount.

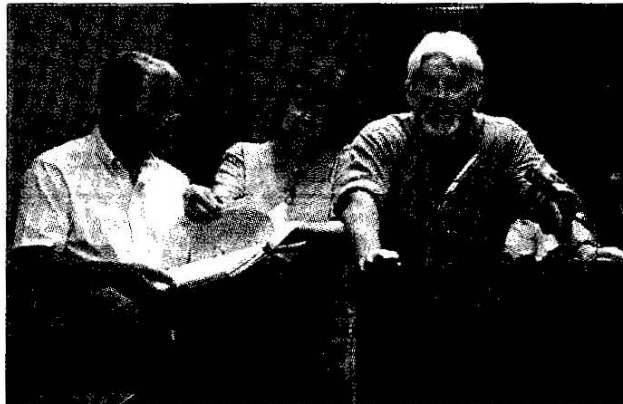
City Council Member Tom Coyne asked why the commission thinks this consolidation effort will pass when past ones failed.

Otte answered that this attempt is by an independent group of people rather than the council or Ketchikan Gateway Borough Assembly. Therefore, she said, it won't be perceived as biased.

"It's public driven rather than government driven," she said.

The council took no action Monday. The next Charter Commission meeting is scheduled for 6 p.m. Friday in City Council chambers. A public hearing on the draft charter is set for noon Saturday, also in council chambers.

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Charter Commission members Mike Painter and Debby Otte look through the commission's proposals while member Dennis McCarty talks to the City Council Monday evening during a special meeting with the council.

Staff photo by Hall Anderson

Input sought on draft charter

By **LEILA KHEIRY**
Daily News Staff Writer

The Ketchikan Charter Commission recently submitted a first draft of its proposed consolidation charter after about eight months of work by the seven elected commission members.

The first draft already is destined to be amended, and commissioners are asking the public for more input so the document can be perfected and ready for submission to the Local Boundary Commission by the Sept. 30 deadline.

Commissioners Deborah Otte, Mike Painter and John Harrington talked about the draft charter Wednesday at the Greater Ketchikan Chamber of Commerce luncheon.

"It's been a real fun eight months," Otte said. "I'm ready for it to be over."

Harrington said the commission realized there would be changes to the document once a draft was released, and he's happy to receive input from the City of Ketchikan and others.

"It's a pleasure to see everyone taking a nitpicking approach to this document," he said.

The city has expressed concern that some tax numbers in the draft were outdated, and that, from the city's point of view, the city's assets were distributed unfairly.

Painter said the commission is working to "polish" the budget and will take the city's comments regarding assets into consideration at its Friday meeting. A new draft with correct tax numbers and other changes likely will be available by next week, he said.

At Wednesday's lunch, an audience member asked whether the



Ketchikan Charter Commission Member John Harrington discusses the commission's proposals during the Greater Ketchikan Chamber of Commerce lunch Wednesday at Dockside Diner. Standing next to Harrington are commission members Mike Painter and Deborah Otte.

Staff photo by Hall Anderson

Ketchikan Gateway Borough Assembly had commented on the draft proposal. Harrington said the borough has not commented, but that borough staff worked closely with the commission throughout the process of creating the document.

Another audience member asked

what the timeline would be for consolidation.

Otte said after the charter is submitted to the Local Boundary Commission, the state likely will let Ketchikan know by the end of November whether the document fulfills state requirements. If no

changes are required, the state would start a process of public comment which would culminate with public hearings in June.

The LBC then would submit a written report in October, said Otte, and if everything goes smoothly,

See 'Draft charter,' page 3

August 26, 2004

Draft charter

Continued from page 1

would order an election to take place some time in December 2005. At that time, local residents would vote on whether to consolidate.

If the consolidation effort is approved, another election to select a new municipal assembly would be scheduled, she said, and by the end of May, 2006, a new assembly of local lawmakers would be seated. Then by July 1, 2006 -- the start of the proposed municipality's fiscal year -- the new government would be in place.

According to the draft charter, the new assembly would have seven members and a mayor, all elected at large. The terms of office would be three years, except for the first batch of assembly members, who would serve staggered terms so that the assembly members' terms expire at different times.

Aside from budget issues and the hotly debated question of whether to create areawide fire protection and Emergency Medical Service -- the commission decided against that concept -- Painter said one of the most difficult issues the commission had to decide was what names to give the future consolidated municipality and the new service area for the former City of Ketchikan.

The city would no longer officially exist as a city if consolidation passed, so it could not continue to have "city" in its name.

The commission decided on "The Municipality of Ketchikan" for the consolidated government and "Gateway Service Area" for the city, said Painter.

The new municipality would be in charge of emergency 911 dispatch, library and museum serv-

ices, the Ted Ferry Civic Center, mental health and substance abuse treatment, Ketchikan General Hospital, public health, the cemetery, solid waste disposal, ports and harbors and Ketchikan Public Utilities.

While the municipality initially would control KPU's water division, the new assembly would have the option of giving that power to the Gateway Service Area. The municipal assembly also would be the governing board for the Gateway Service Area unless a new service area board is formed, according to the draft charter.

Some upper-management positions in the city and borough are similar, and eventually would be consolidated into one position. Those positions would be the city and borough managers, assistant managers, clerks, public works directors, human resources managers, data processing directors, attorneys and finance directors. In addition, there would be one elected body instead of two, and one mayor.

The duplicated staff positions likely would remain in place for at least a year, said Painter, giving the two governments time to merge. The new mayor would work with the clerks, managers and attorneys to draft a new municipal code, and within two years after the date of consolidation, the new assembly would vote on the new code, according to the draft transition plan included with the proposed charter.

The Ketchikan School Board would continue to be a separate elected body and would report to the

new assembly. The municipal assembly would review the annual school budget, appropriate local funds, and oversee school construction and major maintenance projects on school buildings.

Saxman would not be affected by the proposed consolidation, and would continue to pay areawide taxes, according to the draft charter.

An audience member Wednesday asked how service areas would be affected by consolidation, and Painter stressed that service areas will remain in place. Any services they now have will continue to be provided through the service areas, and the only way that would change is through a vote of service area residents.

The only change to service areas is the addition of the Gateway Service Area. The former City of Ketchikan would continue to provide police, fire, EMS, road maintenance, solid waste, sewer, septic and building code enforcement for residents within city limits.

Copies of the draft charter are available for review at the Ketchikan Public Library and the borough and city clerks' offices, said Otte. An on-line version is available at www.sitnews.us, she said. Otte encouraged everyone to read the charter and provide feedback.

The Charter Commission meets in regular session at 6 p.m. Friday in City Council chambers, and a time for public comment is scheduled. A public hearing on the draft charter is scheduled for noon Saturday, also in council chambers.

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LETTERS TO THE EDITOR

Consolidation

EDITOR, Daily News:

By now, everyone knows I'm a strong supporter of consolidation. It simply makes no sense for 13,000 people on this island to have two governments that seem to often work at cross-purposes.

There are built-in inequities in this situation: 85 percent of commerce and associated sales taxes are collected inside the city limits while 40 percent of the people live in rural areas, so about 33 percent of city sales tax is paid by non-city residents who receive limited benefit from them.

Ketchikan Public Utilities is owned by the city yet provides service to the rural areas who have no say in prices or management. KPU also includes the city water utility and there is concern that city water is subsidized by electric and/or telephone rates.

The city in turn operates the hospital, mental health services, museum, 911 dispatch, civic center and provides maintenance and operation on harbors in the rural area that benefit everyone yet

are paid only from city coffers. We have two managers, assistant managers, attorneys, clerks, finance directors, human resource directors and public works directors.

The key to consolidation is to maintain current services without unfairly raising taxes. Our commission has proposed a plan that will do that. It's not perfect and involves a lot of compromise and consensus but it is a workable solution.

Key points of our petition:

10-mill property tax cap with no proposed increase in property taxes

Five votes (two-thirds supermajority) to raise any taxes or fees.

Seven at-large assembly members

Areawide services paid for by areawide taxes

Home-rule borough with Assembly/Manager form of government

Areawide decision-making on KPU and hospital issues

School Board remains separate

Assets used exclusively within the current city remain in new Gateway Service Area

Saxman remains independent, but part of the consolidated municipality

Complete review of all current codes and ordinances

The Alaska Local Boundary Commission will review the petition, conduct public hearings, and hopefully schedule a vote in early 2006 and as Gov. Murkowski recently said, "It's about time" — one government, one voice, one community.

GLEN THOMPSON

Chair, Ketchikan Charter Commission

Consolidation petition set to go

Process could be finished by July 2006

By TOM MILLER
Daily News Staff Writer
Most of the Ketchikan Charter Commission's work is done.

The commission on Friday adopted a draft petition to consolidate the Ketchikan Gateway Borough and City of Ketchikan governments into one home rule borough to be known as "Ketchikan," or, when formality is necessary, as "The Municipality of Ketchikan."

The petition package includes a draft charter for the new borough, a transition plan and proposed budget. Commission Secretary Debby Otte on Friday outlined the public process the petition will go through, up to and including a public vote.

The petition package is to be delivered Sept. 30 to the Alaska Department of Commerce, Community and Economic Development for technical review.

- The department has up to 45 days to either accept the document for filing or return it for corrections.

- Following the petition's acceptance, the Charter Commission is allowed 10 days to provide extensive public notice of the filing and serve copies to interested organizations.

- Individuals and organizations will then have at least 49 days to file written comments.

- The commission then gets at least 14 days to respond to those comments.

- Alaska DCED then prepares a preliminary report addressing the consolidation proposal.

- The public may comment on the preliminary report. State law allows at least 28 days for that step.

- The DCED considers those comments, then writes a final report.

- The Local Boundary Commission then conducts hearings in Ketchikan after giving at least 30 days notice.

- The law gives the LBC 90 days from the date of its last hearing to say whether it approves or rejects the petition, and then 30 days to adopt a written statement setting out the basis for its decision.

- Individuals and organizations then have an opportunity to seek reconsideration of the LBC decision. The law provides 20 days for the LBC to order reconsideration.

- If the LBC approves the petition, with or without amendments and conditions, it notifies the director of the state Division of Elections.

- Within 30 days of notification from the LBC, the Division of Elections must order an election for local voters to decide whether to consolidate the two

governments.

- The consolidation election must be conducted 30 to 90 days after the election order.

- If voters approve consolidation, the state must schedule another election, to be held within 60 to 90 days, to elect a new Borough Assembly.

Consolidation would take effect when the director of the Division of Elections certifies that second election.

Otte said that if all goes smoothly, and if voters approve, the process could be complete by July 2006.

The Charter Commission was created following a Jan. 13 election and conducted its first meeting on Jan. 21. Despite repeated invitations by its Chairman Glen Thompson and other members, only a few members of the public ever attended or spoke out at its regular meetings. The final meeting and public hearing on Friday was no exception.

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September 20, 2004

Consolidation

Continued from page 1

Dave Coates thanked the group for "working so hard to bring this community together."

As a rural resident, Coates said he would benefit from consolidation because it would allow him to have a voice in decisions regarding Ketchikan Public Utilities and Ketchikan General Hospital issues.

Dave Valentine also thanked the group for their work in a "thankless job," but said he worries that consolidation will cause city laws to spread to rural areas.

EXHIBIT O-3

Survey Questionnaire Conducted by the Ketchikan Charter Commission and a Summary of Results

Ketchikan Charter Commission Survey 3/27-4/18/04

In an effort to reduce the cost and size of government in a fair and equitable manner, the Ketchikan Charter Commission is asking you to fill out the following questionnaire for public input. To save costs we have set up "drop boxes" at the following locations: Tatsudas IGA, Tongass Business Center, Carrs Quality Center, and NAPA Auto Parts. For your convenience, you may fill out the questionnaire on line going to the Charter Commission's webpage at www.sitnews.us/ and you can always submit comments or questions to charter@kpunet.net. This is a chance to help mold the future of Ketchikan. Thank you for your time.

1. Are you a City or Rural resident?
2. Are you in favor of electing assembly members by District or At Large?
3. Would you like the existing rural service areas to remain intact in the consolidated government?
 Yes No
4. Are you in favor of the development of a "Port Authority" to operate and maintain all ports and harbors and the airport through an enterprise fund? Yes No
5. In an effort to keep property taxes down, would you be in favor of an areawide sales tax?
 Yes No
6. A number of services are currently provided by the City and Borough on an areawide and nonareawide basis. Which of the following services should the new government, on an **Areawide** basis or on a **Nonareawide** basis, provide? (*Note: Areawide means everyone gets the service and pays for the service; nonareawide means the services are just in specific areas and only those residents of that specific area pay for the service.*)

Education (Mandatory **Areawide** by Property Taxes), Assessment & Collection of Property, Sales & Transient Occupancy Taxes (Mandatory **Areawide**), Platting, Planning & Land Use Regulations (Mandatory **Areawide** by KGB)

- | | | |
|--|--|---|
| <input type="checkbox"/> A or <input type="checkbox"/> N | Parks & Recreation | Currently by KGB, User Fees, 1/2 % sales tax, general fund |
| <input type="checkbox"/> A or <input type="checkbox"/> N | Public Transit | Currently by KGB within City limits, Enterprise Fund |
| <input type="checkbox"/> A or <input type="checkbox"/> N | Animal Control | Currently by KGB, General Fund, User Fees |
| <input type="checkbox"/> A or <input type="checkbox"/> N | Economic Development | Currently by KGB, Economic Development Fund |
| <input type="checkbox"/> A or <input type="checkbox"/> N | Emergency 911 Dispatch | Currently Areawide by KPU Telephone user fees |
| <input type="checkbox"/> A or <input type="checkbox"/> N | Library | Currently Areawide by City & Borough tax |
| <input type="checkbox"/> A or <input type="checkbox"/> N | Museum | Currently by City, General Fund & User fees |
| <input type="checkbox"/> A or <input type="checkbox"/> N | Civic Center | Currently by City, General Fund & User fees |
| <input type="checkbox"/> A or <input type="checkbox"/> N | Mental Health/Substance Abuse | Currently by City, 1% sales tax & User fees |
| <input type="checkbox"/> A or <input type="checkbox"/> N | Hospital | Currently by City, 1% sales tax & User fees |
| <input type="checkbox"/> A or <input type="checkbox"/> N | Cemetery | Currently by City, General Fund & User fees |
| <input type="checkbox"/> A or <input type="checkbox"/> N | Solid Waste Disposal | Currently Areawide by monthly fee |
| <input type="checkbox"/> A or <input type="checkbox"/> N | Ports & Harbors | Currently by City, General Fund & User fees |
| <input type="checkbox"/> A or <input type="checkbox"/> N | Police | Currently Nonareawide in City by General Fund & 1% sales tax |
| <input type="checkbox"/> A or <input type="checkbox"/> N | Wastewater Collection, Treatment & Discharge | Currently Nonareawide by City & Service Areas |
| <input type="checkbox"/> A or <input type="checkbox"/> N | EMS | Currently Nonareawide by City & Service Areas |
| <input type="checkbox"/> A or <input type="checkbox"/> N | Building Code Enforcement | Currently by City, General Fund |
| <input type="checkbox"/> A or <input type="checkbox"/> N | Fire Suppression | Nonareawide by City & Service Areas |
| <input type="checkbox"/> A or <input type="checkbox"/> N | Streets, Road Maintenance & Public Works | Nonareawide by City & Service Areas |

PLEASE TAKE A MOMENT TO COMMENT ON ANY ISSUE YOU FEEL IS IMPORTANT FOR THE COMMISSION TO ADDRESS IN THIS CONSOLIDATION PROCESS. PLEASE USE ANOTHER SHEET, IF NECESSARY.

Ketchikan Charter Commission
Public Survey
March 23 - April 18, 2004

RESULTS

District	At Large	No Ans.
120	118	15

City	Rural
153	100

Keep Service Areas	No Service Areas	No Ans.
134	88	31

Port Enterprise	No Port Enterprise	No Ans.
186	40	24

Internet Response	176
Carr's	12
Tatsuda's	18

Areawide Sales Tax	No A/W Sales Tax	No Ans.
169	77	6

Parks & Rec A/W	Parks & Rec Non A/W	No Ans.
223	23	7

Napa	20
TBC	4
Other	23

Transit A/W	Transit Non A/W	No Ans.
164	79	10

Animal Control A/W	Animal Control Non A/W	No Ans.
220	25	8

253

Econ Develop A/W	Econ Develop Non A/W	No Ans.
210	27	16

911 Dispatch A/W	911 Dispatch Non A/W	No Ans.
235	7	11

Library A/W	Library Non A/W	No Ans.
227	17	9

Museum A/W	Museum Non A/W	No Ans.
198	44	11

Civic Center A/W	Civic Center Non A/W	No Ans.
200	46	7

Mental Health A/W	Mental Health Non A/W	No Ans.
212	33	8

Hospital A/W	Hospital Non A/W	No Ans.
228	19	6

Cemetery A/W	Cemetery Non A/W	No Ans.
221	22	10

Solid Waste Disposal A/W	Solid Waste Disposal Non A/W	No Ans.
209	36	8

Ports & Harbors A/W	Ports & Harbors Non A/W	No Ans.
211	31	11

Police A/W	Police Non A/W	No Ans.
143	98	12

Public Survey
 March 23 - April 18, 2004

RESULTS - Page 2

A/W Wastewater	Non A/W Wastewater	No Ans.
113	126	14

EMS A/W	EMS Non A/W	No Ans.
191	55	7

Bldg. Code A/W	Bldg. Code Non A/W	No Ans
179	62	12

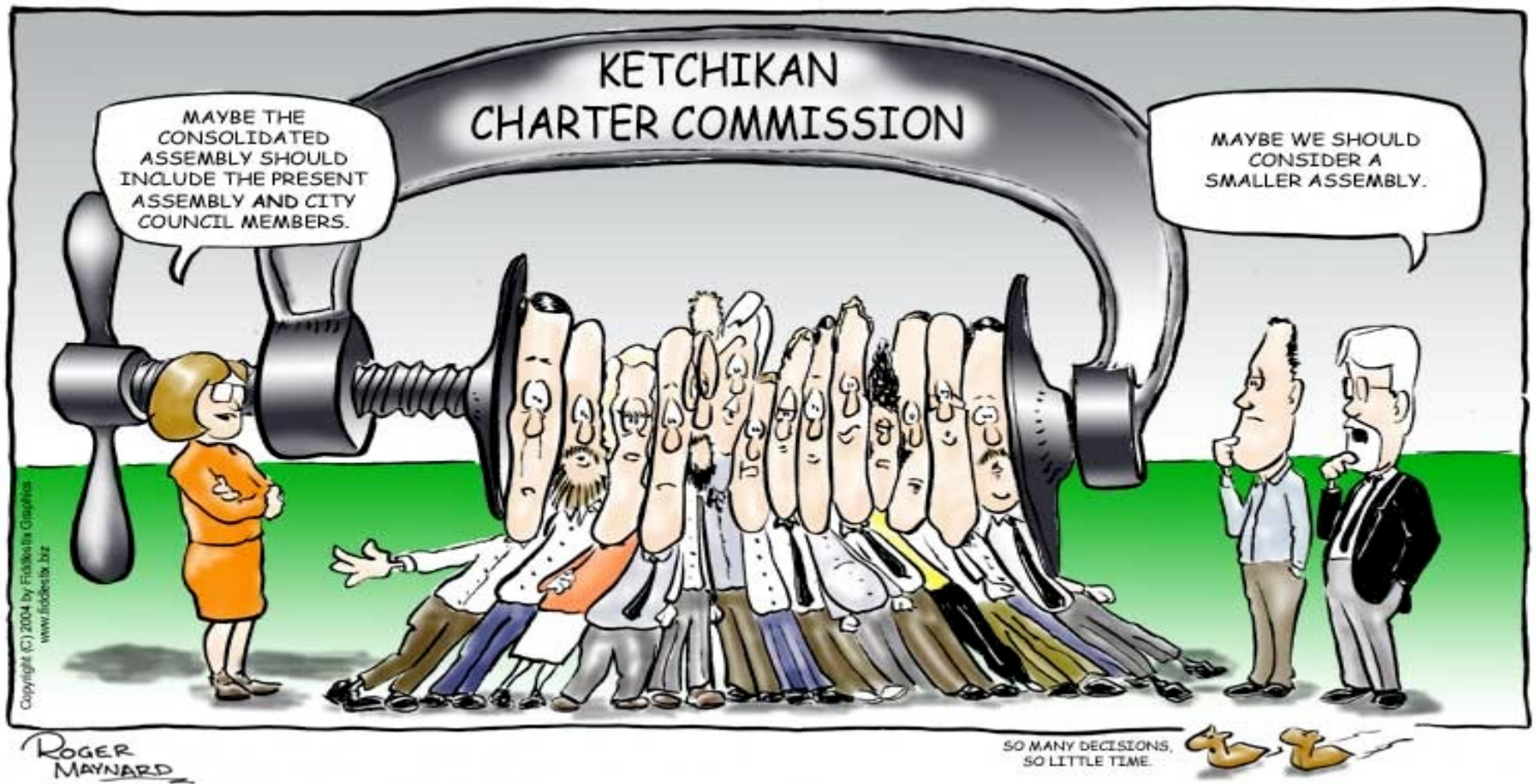
Fire Svc. A/W	Fire Svc. Non A/W	No Ans.
172	71	10

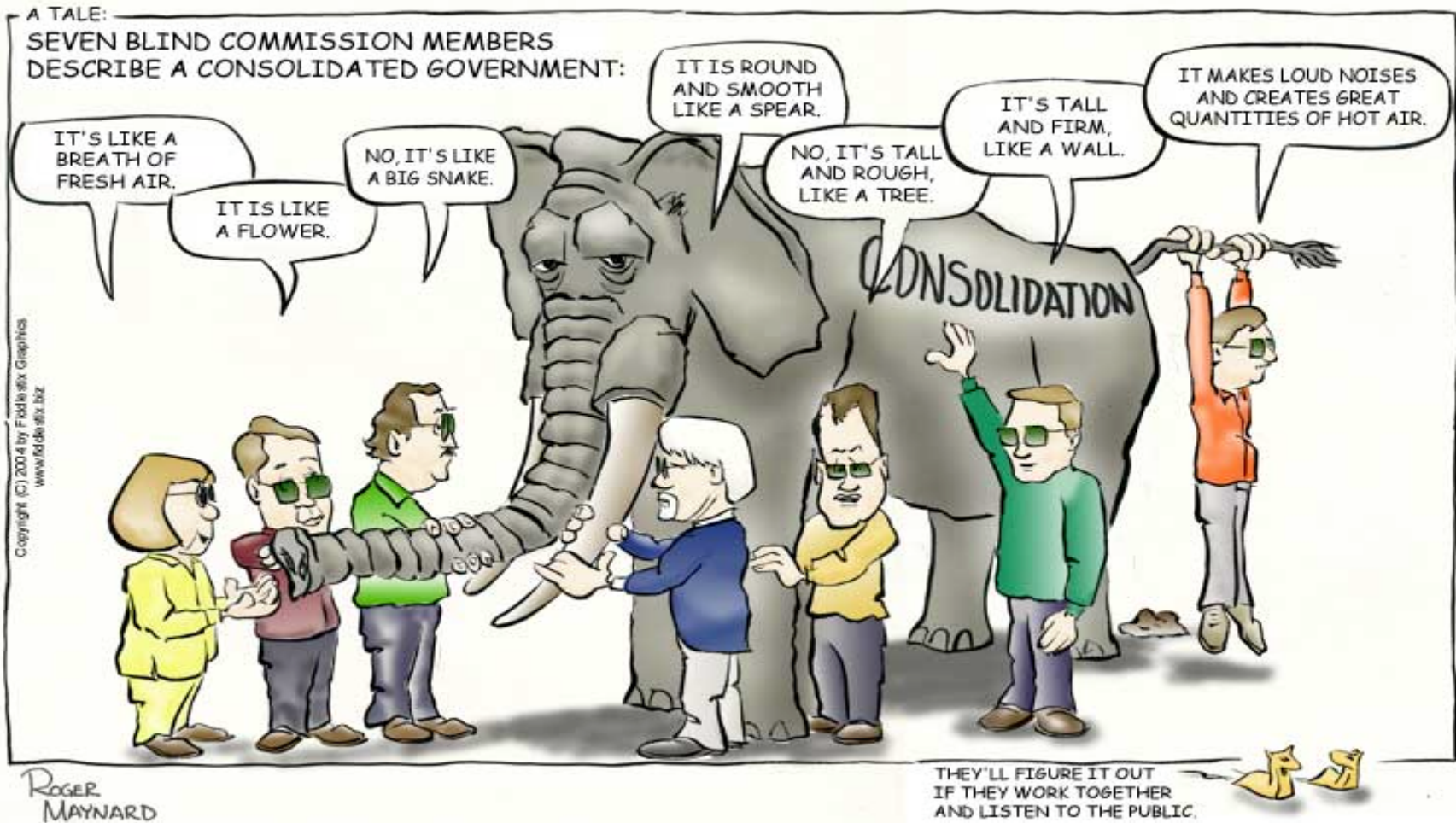
Streets A/W	Streets Non A/W	No Ans.
163	79	11

EXHIBIT 0-4

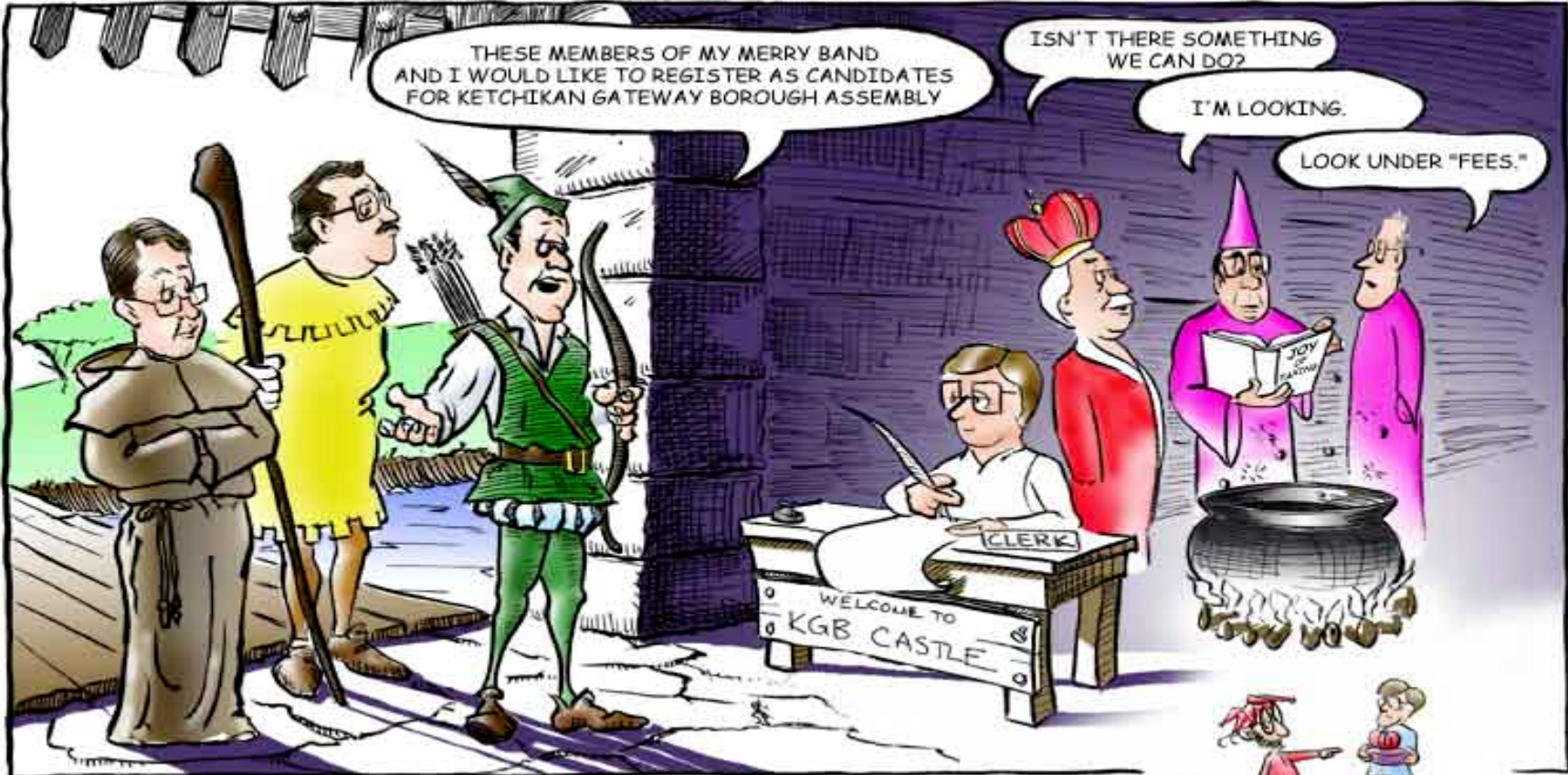
Political Cartoons Regarding the Ketchikan Charter Commission

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THE KETCHIKAN CHARTER COMMISSION MEMBERS DECIDE TO ENTER POLITICS:



ROGER
MAYNARD

QUICK!
HIDE THE JEWELS!