

KETCHIKAN GATEWAY BOROUGH

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February 10, 2006

RECEIVED

FEB 10 2006

Dan Bockhorst
Local Government Specialist
Department of Commerce,
Community, and Economic Development
550 W. 7th Ave, Suite 1770
Anchorage, AK 99501

Local Boundary Commission

RE: Petition by the Ketchikan Gateway Borough for Legislative Review Annexation of Approximately 4,701 Square Miles to the Ketchikan Gateway Borough

Dear Mr. Bockhorst:

Please accept the enclosed materials for technical review by Local Boundary Commission staff which constitutes the Ketchikan Gateway Borough's petition to annex approximately 4,701 square miles to the Ketchikan Gateway Borough. The Borough Assembly held a public hearing on the petition on January 21st, 2006 and voted at that meeting to hold a local public advisory election on the issue prior to taking action on proposed Resolution No. 1949 authorizing submittal of the petition to the Local Boundary Commission. On February 6, 2006, the Borough Assembly voted to reconsider their previous action and subsequently approved Resolution No. 1949 authorizing a proposal for annexation to the Ketchikan Gateway Borough.

For your review and comment, I've enclosed the following materials:

1. A signed original copy of the petition which also includes:
 - One signed and certified copy of Resolution No. 1949, Exhibit I, page 75;
2. A signed copy of the January 21st, 2006 public hearing minutes;
3. Copies of all materials presented or distributed at the January 21st, 2005 public hearing including:
 - Correspondence presented during public testimony;
 - Copy of a Power Point presentation provided Borough staff and its consultant;
4. A digital audio recording of the January 21st, 2006 public hearing;
5. A copy of the public notice posted in the Borough and outlying areas along with certified copies of all affidavits signed by those posting the notices;
6. A copy of the public service announcement broadcast on the local radio station.

Thank you for all your on-going assistance during this process. Please call me directly at (907) 228-6625 should you need any additional information.

Regards,



Roy Eckert
Borough Manager

Encl

C: Borough Assembly

**PETITION BY
THE KETCHIKAN GATEWAY BOROUGH
FOR LEGISLATIVE REVIEW ANNEXATION OF
APPROXIMATELY 4,701 SQUARE MILES TO
THE KETCHIKAN GATEWAY BOROUGH**

PUBLIC HEARING DRAFT

FEB 11 2006

December 2005

Local Boundary Committee

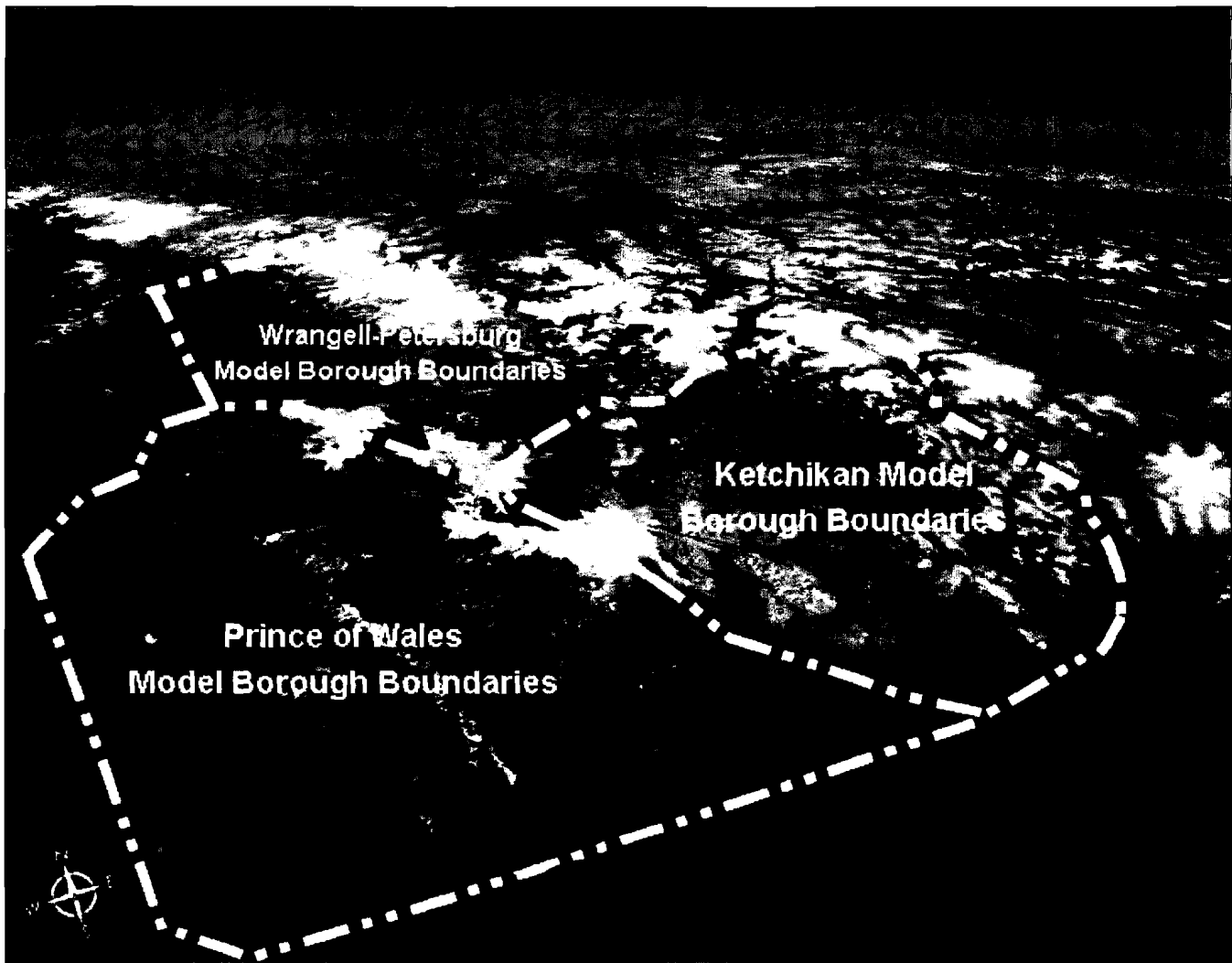


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**PETITION BY THE KETCHIKAN GATEWAY BOROUGH FOR
LEGISLATIVE REVIEW ANNEXATION OF APPROXIMATELY 4,701 SQUARE
MILES TO THE KETCHIKAN GATEWAY BOROUGH**

The Petitioner hereby requests the Alaska Local Boundary Commission to grant this Petition for annexation under Article X, Section 12 of the Constitution of the State of Alaska, AS 29.06.040(a) and (b), AS 44.33.812(b)(2), and 3 AAC 110.610(b). All Exhibits attached to this Petition are incorporated by reference.

SECTION 1. NAME OF THE PETITIONER. The name of the Petitioner is The Ketchikan Gateway Borough (hereafter "Petitioner").

SECTION 2. NAME AND CLASS OF THE ORGANIZED BOROUGH THAT IS THE SUBJECT OF THE PROPOSED ANNEXATION. The name and class of the borough to which annexation is proposed are listed below:

Name: The Ketchikan Gateway Borough ("Borough")

Class: Second Class Borough

SECTION 3. GENERAL DESCRIPTION OF THE NATURE OF THE PROPOSED ANNEXATION. The Petitioner requests the Alaska Local Boundary Commission to grant this Petition for annexation subject to review and tacit approval by the Alaska State Legislature under Article X, Section 12 of the Constitution of the State of Alaska, AS 29.06.040(a) and (b), AS 44.33.812(b)(2), and 3 AAC 110.610(b).

SECTION 4. GENERAL DESCRIPTION OF THE AREA PROPOSED FOR ANNEXATION. The area proposed for annexation is generally described as follows:

All unincorporated territory within the State's Ketchikan Model Boundaries as defined by 3 AAC 110.990(9) with the exception of approximately 205 square miles of public and private lands surrounding and including the community of Hyder. The proposed annexation includes all territory to the south and east of the existing Ketchikan Gateway Borough extending to the Canadian border, not including the Annette Islands Reserve and not including any territory west of Clarence Strait and extends north to include most of the Cleveland Peninsula, ending at the common watershed boundary between the USFS Wrangell Ranger District and the USFS Ketchikan Ranger District.

The territory proposed for annexation contains approximately 4,701¹ square miles. Approximately 3,531 square miles (excluding salt water) of the 4,701

¹ Note: This figure includes a total estimated area of 4,906 square miles of territory within the State's Ketchikan model borough boundary that has yet to be annexed less an estimated 205 square miles of land surrounding and including the community of Hyder (see Exhibit C, Detail Map A, for specific boundaries of area proposed for exclusion).

square mile area proposed for annexation is part of the Tongass National Forest.²

The territory proposed for annexation includes the community of Meyers Chuck, an unorganized community containing approximately 0.6 square miles of land and 0.2 square miles of water.³ As mentioned above, the community of Hyder is not included in this annexation at this time. See Exhibit K for justification of excluding the Hyder area.

SECTION 5. REASONS FOR THE PROPOSED BOUNDARY CHANGE.

The Petitioner seeks annexation of the territory generally described in Section 4 for the following reasons:

Ketchikan's model boundaries are substantially the same as those set for a Ketchikan area borough in the 1963 Mandatory Borough Act adopted by the Alaska Legislature (Chapter 52, SLA 1963). Even though local government was extended to only a portion of the vast rural territory during its 1963 incorporation, it is the Petitioner's opinion that these model boundaries best reflect the Borough's contemporary and future sphere of regional local government interest and influence in southern southeast Alaska. As will be explained further in Exhibit H and Exhibit K of this petition, the Petitioner recognizes these model boundaries represent an ideal future Ketchikan borough and that they accurately represent the Borough's long-term local government role. However, the Petitioner also asserts that the incremental extension of local government boundaries is logical and consistent with the historic growth and approval of local government boundary expansion throughout the State. It is necessary in this case, as in previous cases elsewhere, to deviate from these ideal boundaries in the short-term to make progress towards long-term goals.

The Borough's short and long-term annexation goals are:

- To maximize local self-government in the region;
- To promote borough boundaries that better reflect constitutional principles regarding borough government;
- To support orderly growth and development;
- To protect and enhance the Borough's tax base; and
- To provide greater local fiscal responsibility.

² Equivalent to approximately 2,259,840 acres of National Forest. Source: Tongass National Forest, Ketchikan Ranger District

³ See "Community Database Online" at http://www.commerce.state.ak.us/dca/commdb/CF_BLOCK.cfm

Maximize local self-government in the region

It is the Borough's belief that the unique regional economic, political, and cultural interests of the Ketchikan region, as represented by the State's model borough boundaries, are best managed by a system of local rather than State government.

Article X, Section 1, of Alaska's constitution, with respect to the fundamental purpose of local government, states "The purpose of this article is to provide for maximum local self-government with a minimum of local government units, and to prevent the duplication of tax-levying jurisdictions." In the years since its adoption by Alaska's citizens in 1956, this constitutional principle has been upheld in numerous decisions to mean that the constitution encourages the creation of organized boroughs, and their expansion through annexation, when consistent with specific standards. The history of these judicial and administrative decisions has not shown much consideration with respect to the population density or remoteness of areas proposed for annexation. To the contrary, State decisions regarding annexations and borough incorporation have consistently upheld the concept that borough governments have a unique regional role and responsibility and that they often encompass areas which have little or even no need for government.

Promote boundaries consistent with constitutional principles

When considered within the context of Alaska's constitution, it need not be argued whether the unorganized portion of the area within the Borough's model boundaries should be annexed at all, but rather whether the territory should be part of an expanded Ketchikan Gateway Borough or part of some other borough and whether specific areas should be annexed now or incrementally phased in at a later time. It should be noted that the LBC, while considering the Borough's previous 1998 petition, provided some policy guidance on this question. In its statement of decision, it noted that the "territory unquestionably has stronger ties to the Borough than it does the rest of the unorganized borough."⁴ The LBC went on to say that the proposed exclusion of Meyers Chuck and the community of Hyder in the previous petition failed constitutional requirements "in terms of promoting maximum local self-government." The LBC also expressed its concerns that insufficient justification was provided to deviate from the model borough boundaries established by the State. It noted in its conclusion that "...the Borough's model boundaries also reflect the application of all borough boundary standards and relevant constitutional principles to the pertinent facts in the Borough's circumstances." Article X, Section 3, of Alaska's constitution requires, in part, that each borough embrace an area and population with common interests to the maximum degree possible. This petition contends that,

⁴ Preliminary Report of the Dept. of Community and Regional Affairs to the Local Boundary Commission Regarding the Ketchikan Gateway Borough's Petition to Annex Approximately 5,524 Square Miles, October 1998

on balance, the area proposed for annexation, including the community of Meyers Chuck has stronger ties to the Ketchikan Gateway Borough than it does to Alaska's unorganized borough. As will be discussed later, the Borough suggests that these regional ties also include the community of Hyder although they are not strong enough to justify extension of local government at this time.

The Borough is the principal regional goods and service provider in southern southeast Alaska. This role, in many respects, extends far beyond the boundaries of the area proposed for annexation. For example, as discussed in Exhibit H, there were more than 56,000 passenger trips and 15,000 vehicle trips between Ketchikan and Prince of Wales Island during 2004. This level of traffic underscores a level of regional social and economic interdependence and mutual interest which extend much further than the model boundaries themselves. Because of its obvious regional role, the Borough maintains that existing and potential developments in the area proposed for annexation draw, or will likely draw, the majority of their support from the urban center of the Borough more than from any other organized municipality in the region such as Wrangell, Thorne Bay, or Craig. Such support services would include marine and air transportation and transfer, and provision of a variety of goods and services including retail services and health care.

Admittedly, the degree and character of this support varies within the area proposed for annexation due to the remoteness of the territory and the presence of other overlapping service providers. For example, the community of Hyder, in practical terms is relatively isolated, has only nominal air service, and has stronger local economic and social ties to Stewart, British Columbia and its adjoining road system. It is expected that this Hyder territory, which represents 3% of the model territory, will be phased in at a later time. A full discussion regarding the justification for postponing the annexation of Hyder and the future circumstances which lead to its inclusion in the Ketchikan Borough is provided in Exhibit K. Meyers Chuck, although it exhibits stronger ties to Ketchikan than Hyder, also has some limited economic and social connections with Prince of Wales Island. Meyers Chuck residents occasionally make some retail purchases in Thorne Bay instead of in Ketchikan which is a shorter trip by water than traveling to Ketchikan.

It is the Borough's aim to work with all citizens and communities in the area proposed for annexation to extend only services required by State law or desired by these citizens; to assist, promote and finance economic development, infrastructure and services desired by these citizens; to facilitate local self-rule and management to the extent feasible; and to encourage citizens of the area proposed for annexation to participate in the social, political and economic life of the expanded Borough.

In conclusion, the Borough suggests these areas most logically belong to the regional system of local government proposed by this petition. This petition will demonstrate that the area proposed to be annexed has much stronger ties to the

Borough than to the balance of the unorganized borough in Alaska and to other prospective Wrangell, Wrangell-Petersburg, or Prince of Wales Island boroughs. This petition will also demonstrate that while Hyder is logically a part of a future Ketchikan Gateway Borough expansion, several regional links and local factors must evolve further to justify local government expansion in this area. It is the Borough's belief that annexation is in the best long term interest of developing local government in southern southeast Alaska and will serve to enhance regional economic development as well as the provision of cost-effective public services, as needed and desired, to citizens throughout the area proposed for annexation.

Support orderly growth and development

It is the Borough's conviction that planning and managing local growth and local services for local needs is best performed by local government. Within the proposed annexed area, there are a number of foreseeable development opportunities that most likely will directly or indirectly impact Ketchikan. Likely development scenarios include:

- Mineral development at Union Bay, Duke Island, and Quartz Hill;
- Offshore oil development along the U.S./Canadian border;
- Commercial tourism development on private and public lands;
- Timber sales and other National Forest development activities; and
- Development of roads, energy infrastructure, and other public projects
-

It is likely that there will be additional unforeseen projects such as land exchanges and other activities that might grow from the resources and opportunities present within the territory proposed for annexation all of which may directly or indirectly impact Ketchikan. It will be important for residents of Ketchikan to have input into the terms of development activities within the territory. It is also important to provide opportunities for input to those residents within the territory but whom are not included in any organized political subdivision of the state.

In addition, regional economic development will best occur when working in partnership with those residents living within the unorganized and future boroughs on Prince of Wales and Wrangell. As will be shown later in this petition, the character and needs of the Ketchikan region, as depicted by its model boundaries, will continue to change as the markets for its resources continue to grow. These Federal, State, and private resources include timber, minerals, and fisheries; air, land and water quality; and land for energy facilities, utility routes, roads, subsistence, and recreation and tourism activities. Through annexation, the Borough expects to gain more meaningful opportunities to help manage the inter-dependence and sometimes competing requirements of these resources as balanced against local needs. These opportunities will include extension of its State granted planning, zoning, and platting authority where appropriate and strengthening influence and comments on environmental

reviews during development of Federal lands which affect the character of the community. Because development within the territory will derive most of its services from Ketchikan, it is in the community's best interest to locate this territory within the community's boundaries.

Protect and enhance the Borough's tax base and revenues

The vast majority of the 4,701 square miles proposed for annexation is owned by the Federal government and located within the Tongass National Forest and Misty Fjords National Monument. The Ketchikan Ranger District manages these lands and is located wholly within Ketchikan's model boundaries and the area proposed for annexation. The Ranger District headquarters and personnel are based in the city of Ketchikan. To the extent that the Federal government develops these lands according to a variety of planned and likely scenarios, it is the Borough that will provide the majority of infrastructure, goods, and services for their improvement. Consequently, it is the Borough that should proportionately benefit from the potential revenues associated with such development since it is the community most affected by the outcome of Federal activities. For example, significant, and growing, volumes of tourists transfer in Ketchikan to Misty Fjords and other points of interest. Anticipated revenues include a proportional share of Federal forest receipts and payments in-lieu of taxes, but also sales taxes and property taxes resulting from potential mineral leases and other commercial activities.

Provide greater local fiscal responsibility

It is incumbent upon the Borough to develop local revenue sources to help provide for local needs such as schools, public facilities, and services. Annexation of the proposed territory, as shown in the attached budget, will provide additional revenue to offset the ever present risk of additional cutbacks in State assistance and to pay for required services to residents.

SECTION 6. LEGAL DESCRIPTIONS, MAPS, AND PLATS.

A. Legal Description of the Area Proposed for Annexation. A written metes and bounds legal description of the area proposed for annexation is presented as **Exhibit A**.

B. Legal Description of Proposed Post-Annexation Boundaries. A written metes and bounds legal description of the proposed post-annexation boundaries of the Borough is presented as **Exhibit B**.

C. Maps and Plats. A map showing the existing boundaries of the Borough and the boundaries of the area proposed for annexation are presented as **Exhibit C**.

SECTION 7. SIZE OF THE AREA. The area proposed for annexation is estimated to encompass 4,701 square miles.

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

Name: Roy Eckert, Borough Manager
Physical Address: 344 Front Street
Ketchikan, Alaska 99901
Mailing Address: 344 Front Street
Ketchikan, Alaska 99901
Telephone # (907) 228-6625
Facsimile # (907) 247-6625
E-mail address: roy.eckert@borough.ketchikan.ak.us

SECTION 9. POPULATION DATA. Based on 2004 Alaska State Demographer estimates, the population of the area proposed for annexation is estimated to be 25. The population within the current boundaries of the Borough is estimated to be 13,030. Although State records indicate there are 14 year-round permanent residents in Meyers Chuck, resident testimony suggests that this number is inaccurately high, especially during the winter months when it has been reported that during the 2005 winter season only one individual resided there full-time. It is estimated that 11 people live in the outer-Ketchikan area (that area within the model boundaries not included in Meyers Chuck). There are seasonal increases in population in the existing borough and territory proposed for annexation during the summer season (May–September) due to tourism/recreation and seasonal employment (fisheries). There are no school-age children in the area proposed for annexation receiving educational services from the Southeast Island School District.

SECTION 10. INFORMATION RELATING TO PUBLIC NOTICE AND SERVICE OF THE PETITION. Exhibit D provides information relevant to public notice of this annexation proceeding. The information includes specifics about local media; adjacent municipal governments; places for posting notices; location(s) where the Petition may be viewed; and parties who, because of their interest in this matter, may warrant the courtesy of individual notice of the annexation proceedings.

SECTION 11. TAX DATA.

A. Value of Taxable Property in the Area Proposed for Annexation. According to the Borough Assessor, the estimated value in 2005 of taxable property in the area proposed for annexation is as follows:

Within the area proposed for annexation⁵:

Real property:	\$ <u>6,500,000</u>
Personal property:	\$ <u>520,000</u>
TOTAL:	\$ <u>7,020,000</u>

Within the current Borough boundaries (2005 certified)

Real property:	\$ <u>888,349,000</u>
Personal property:	\$ <u>59,666,800</u>
TOTAL:	\$ <u>948,015,800</u>

B. Projected Taxable Sales. The value of annual sales in the area proposed for annexation that would be subject to Borough sales taxes is estimated to be \$1,456,560 during the first tax year beginning in FY'09. At the Borough's current sales tax rate (2.5%), this would generate an estimated \$36,414⁶ annually although the actual amount received would be approximately \$21,224 due to the exemption of single-unit sales which limits sales taxes to the first \$1,000 only. The Borough estimates approximately \$200,000 in sales eligible for transient occupancy taxation. At the current rate of 4.0% this would generate approximately \$8,489 during the first year.⁷ Additional budget information is provided in Section 12.

C. Existing Taxes in the Area Proposed for Annexation. Each municipal tax currently in effect in the area proposed for annexation is listed below:

Within the area proposed for annexation:	
TAX TYPE	TAX RATE
Property tax	<u>None</u>
Sales tax	<u>None</u>

There are no taxes collected currently in the area proposed for annexation.

D. Existing Borough. Listed below are the type and rate of each Borough tax currently levied throughout the Borough in 2005 (i.e., areawide

⁵ Source: Estimate, Ketchikan Gateway Borough Assessment Dept., August 25, 2005 memo.

⁶ Source: Ketchikan Gateway Borough Dept. of Finance. Note that the Borough limits taxes on all single unit sales to the first \$1,000. This would include lodge and/or fishing packages currently sold in the area proposed for annexation.

⁷ Source: KGB Dept. of Finance, April 20, 2005. Note that this figure is calculated on a base FY '06 estimate of \$200,000 adjusted .02% annually to the first tax year beginning in FY '09.

Borough taxes). Also listed below are the type and rate of each Borough tax currently levied exclusively in the area of the Borough outside of the boundaries of city governments (i.e., nonareawide Borough taxes). Lastly, listed below are the type of taxes and the range of rates of each tax levied by the Borough on a service-area basis.

TAX TYPE	TAX RATE	PERCENT
AREAWIDE BOROUGH TAXES		
Property tax	7.5 mills	
Sales tax		2.5%
Other		
NONAREAWIDE BOROUGH TAXES		
Property tax	0.0 mills	
Sales tax		0%
Other (Library Services)	1.2 mills	
SERVICE AREA BOROUGH TAXES		
North Tongass (fire and EMS)	1.4 mills	
Forest Park (fire, EMS, and roads)	4.1 mills	
South Tongass (fire, EMS)	1.9 mills	

E. Anticipated Taxes in the Area Proposed for Annexation.
Anticipated municipal tax to be levied in the area proposed for annexation is listed below:

Within the area proposed for annexation:

TAX TYPE	TAX RATE
Property tax	7.5 mill
Sales tax	2.5%
Other (Library Tax)	1.2 mill

SECTION 12. FOUR-YEAR BUDGET PROJECTIONS.

A four year budget summary is provided on the following pages. For total revenues, two estimates are provided for the existing Borough and for revenue that would be generated in the area proposed for annexation. Estimate A for each assumes that Federal forest receipts revenue will continue at its present level at least for the first three years after annexation. Estimate B assumes a return to forest receipt levels consistent with revenue generated during the late 1990s. These two estimates are driven by the fact that the current funding program will expire in FY 2007 and that at this time it is difficult to predict the

actual level of revenue that will be provided beginning in FY 2008. Details explaining each line are provided on the pages that follow.

REVENUE AND EXPENSE PROJECTIONS

WITHIN EXISTING BOROUGH (NO ANNEXATION)				
Fiscal Year	'07/'08	'08/'09	'09/'10	'10/'11
TOTAL REVENUE				
(Estimate A)	17,469,817	18,302,652	19,176,971	20,094,847
(Estimate B)	17,171,389	18,000,941	18,871,942	19,786,462
TOTAL OPERATING EXPENSES	17,159,501	17,983,156	18,846,349	19,750,973
TOTAL CAPITAL EXPENDITURES	200,000	200,000	200,000	200,000
REVENUE/EXPENSE BALANCE				
(Estimate A)	110,316	119,496	130,622	143,874
(Estimate B)	-188,112	-182,215	- 174,407	-164,511

WITHIN AREA PROPOSED FOR ANNEXATION ONLY				
Fiscal Year	'07/'08	'08/'09	'09/'10	'10/'11
TOTAL REVENUE				
(Estimate A)	0	1,235,796	1,249,518	1,263,410
(Estimate B)	0	299,138	303,267	307,460
TOTAL OPERATING EXPENSES	76,988	62,820	45,195	45,682
TOTAL CAPITAL EXPENDITURES	1,500	0	0	0
REVENUE/EXPENSE BALANCE				
(Estimate A)	-78,488	1,172,976	1,204,323	1,217,728
(Estimate B)	-78,488	236,318	258,072	261,778

BALANCE OF COMBINED AREA REVENUES AND EXPENSES (POST ANNEXATION)				
Fiscal Year	'07/'08	'08/'09	'09/'10	'10/'11
(Estimate A)	31,828	1,292,472	1,334,945	1,361,602
(Estimate B)	-266,600	54,103	83,665	97,267

A. Budget Projections for the Area Proposed for Annexation. Listed below is a projection of significant Borough revenues (from local, State, Federal, and other sources), significant operating expenditures, and significant capital expenditures projected to result exclusively from the proposed annexation during each of the first three full years following annexation.

REVENUES FROM AREA PROPOSED FOR ANNEXATION

	'07/'08	'08/'09	'09/'10	'10/'11
<u>Revenues</u>	<u>Year 1⁸</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
Property Tax (7.5 mills) ⁹	0	55,873	56,990	58,130
Non-Area-Wide Tax				
(Library 1.2 mills)	0	8,940	9,118	9,301
Sales Tax ¹⁰	0	21,224	21,648	22,081
National Forest Receipts ¹¹				
ESTIMATE A	0	1,075,684	1,087,517	1,099,480
ESTIMATE B	0	203,612	205,852	208,116

⁸ Note that the area proposed for annexation would not begin generating revenues until the beginning of FY '09 (July 1st, 2008). Revenue column for FY '08 is included for comparison against expenses during this same period when it is expected that some preparatory work for assessment, planning, and other tasks would begin.

⁹ Based on 2005 Ketchikan Gateway Borough Assessment Department estimate of \$7,020,000 in total value within the area proposed for annexation adjusted 2% annually.

¹⁰ Based on 2005 estimate of \$1,440,000 in taxable sales within the area proposed for annexation at a tax rate of 2.5% adjusted 2% annually, with FY07/08 estimated ½ year. Note, however, the majority of the taxable sales within the territory (resorts and lodges) are expected to be in excess of the \$1,000 cap reducing the overall revenue.

¹¹ Note that the Federal formula for calculating National Forest Receipts payments will expire at the end of FY '07. See Table Figure 12.1 for a discussion of different future funding scenarios. Estimate A assumes base FY '08 funding at .56 cents per acre and Estimate B assumes base FY '08 funding at .106 cents per acre consistent with historic lows. The Borough estimates that there are 2,259,840 acres of National Forest in the area proposed for annexation based on 3,128,494 of National Forest within the Ketchikan Ranger District and 740,014 acres of National Forest within the existing Ketchikan Gateway Borough minus approximately 128,640 acres within the area proposed for exclusion. Area totals are for uplands only and exclude saltwater. Projected annual increases of 1.1% in funding are based upon annual average inflationary increases for years 2003 to 2005 as described on Table Figure 12.1

**REVENUES FROM
AREA PROPOSED
FOR ANNEXATION
(continued)**

	'07/'08	'08/'09	'09/'10	'10/'11
<u>Revenues (continued)</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
PILT ¹² (PROJECTION)	0	64,586	64,586	64,586
ADOT Road Maintenance	0	0	0	0
State Grants	0	0	0	0
Municipal Assistance	0	0	0	0
Raw Fish Tax	0	0	0	0
Transient Occupancy Tax ¹³	0	8,489	8,659	8,832
Boat Taxes ¹⁴	0	0	0	0
Automobile Tax ¹⁵	0	0	0	0
Charges for Services ¹⁶	0	1,000	1,000	1000
TOTAL REVENUES (Estimate A)¹⁷	0	1,235,796	1,249,518	1,263,410
TOTAL REVENUES (Estimate B)¹⁸	0	299,138	303,267	307,460

¹² Note that beginning in FY '05, PILT payment is based upon prior year National Forest Receipt figure minus 15% for special projects. In addition, note that beginning in FY '09 through FY '11, calculation of PILT payment was based on using Alternative "B" Method published by the Dept. of the Interior due to the receipt of National Forest Receipt payments in excess of the \$1,194,900 ceiling. See Table 12.1.

¹³ Source: KGB Finance Dept, April 20, 2005. Estimate is based on current transient occupancy tax (bed tax) rate of 4% with a 2% annual increase.

¹⁴ Not expected to be a significant source of revenue.

¹⁵ Ibid.

¹⁶ Revenue generated by planning and zoning fees, parks and recreation use fees, map sales, passports, and other fee-based services.

¹⁷ Assumes continuation of Forest Receipts funding at its current level.

¹⁸ Assumes Forest Receipts income based upon 25% of total revenue generated by the Tongass National Forest expressed as an average of yearly funding generated between FY '98 through FY '01.

Table 12.1

Summary of National Forest Receipts Payments															
Historic, Projected and Estimated Total National Forest Receipt Payments to All Communities Forest-Wide															
Total Payments	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11
Actual ¹	5,840,646	1,140,593	1,745,619	1,935,579	2,255,238	9,019,729	9,091,687	9,200,989	9,320,601						
Projected ²										9,423,128	9,526,782				
Estimate A ³												9,631,577	9,737,524	9,844,637	9,952,928
Estimate B ⁴												1,769,257	1,798,719	1,808,395	1,828,267
Historic, Projected and Estimated Total Payments to the Ketchikan Gateway Borough															
	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	Annexation		10/11
Actual ⁵	260,940	50,995	77,822	86,399	100,604	402,359	405,591	410,549	415,665						
Projected ⁶										420,237	424,860				
Estimate A ⁷												429,533	1,679,940	1,698,419	1,717,102
Estimate B ⁸												78,441	317,989	321,487	325,023
Payment In-Lieu of Taxes (PILT) Receipts Payments in the Ketchikan Gateway Borough															
Historic, Projected and Estimated Total Payments to the Ketchikan Gateway Borough															
	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	Post Annexation		10/11
Actual						626,067	516,395	534,624	551,785						
Estimated ⁹										527,801	524,704	528,346	592,932	592,932	592,932
Total Estimated Combined National Forest Receipts and PILT Payments In An Expanded Ketchikan Gateway Borough															
	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	Post Annexation		10/11
Estimate No. 1 ¹⁰										948,038	949,564	957,879	2,272,872	2,291,351	2,310,034
Estimate No. 2 ¹¹												606,787	910,921	914,419	924,477

¹ Source: Bill Rolfsen, DCED, April 7, 2005. Note that amounts through FY '01 are based upon 25% of all annual receipts generated in the Tongass National Forest. Amounts in FY '06 through FY '07 are based upon 25% of the average of the three highest years between 1986-1999 assuming a 1.1% annual inflationary increase.

² Projected increase based upon 1.1% annual inflationary increase consistent with previous years increases of 1.2%, 1.1%, and .08% between fiscal years '05, '04, & '03 respectively. Actual increases will be based on 50 percent of the changes in the consumer price index for rural areas (as published in the Bureau of Labor Statistics).

³ Estimated increase based upon renewal of "Secure Rural Schools and Community Self-Determination Act of 2000" in roughly its present form and funding level with an annual inflationary increase of 1.1%.

⁴ Estimated based upon average yearly receipts for fiscal years '98 through '01 (equal to \$1,789,267) with an inflationary increase of 1.1% annually. Amount equals approximately 10.6 cents per acre times 16,564,764 acres of Tongass National Forest in FY'05.

⁵ Based on 740,014 acres of national forest within the existing Ketchikan Gateway Borough. Note that figure is 15% higher than actual revenues received in the Borough's annual operating budget due to special projects set-aside funding for projects within the Borough administered by the Regional Advisory Committee.

⁶ Projected increase based upon 1.1% annual inflationary increase consistent with previous years increases of 1.2%, 1.1%, and .07% between fiscal years '05, '04, & '03 respectively. Actual increase will be based on 50 percent of the changes in the consumer price index for rural areas (as published in the Bureau of Labor Statistics).

⁷ FY '09 through FY '11 revenue is based upon .58 cents per acre consistent with existing funding levels and assumes renewal of the federal appropriation at its current level. Projected increase beyond FY '09 is based upon an estimated 740,014 acres of Tongass National Forest within the existing Borough and 2,259,840 of National Forest within the boundaries proposed for annexation (total 2,999,893 acres eligible for funding) and an annual inflationary increase of 1.1% starting in FY '10.

⁸ FY'06 through FY '11 revenue is based upon 10.6 cents per acre consistent with the average per acre receipts generated during the fiscal years '98 through '01. Projected FY '09 increase is based upon an estimated 2,999,893 total acres of Tongass National Forest within the newly expanded Borough and an annual inflationary increase of 1.1%.

⁹ Note that beginning in FY '09 through FY '10, calculation of PILT payment was based on using Alternative "B" Method published by the Dept. of the Interior due to the receipt of National Forest Receipt payments in excess of the \$1,194,900 ceiling.

¹⁰ Note that this estimate assumes continuation of National Forest Receipts funding at its current level. In addition, note that National Forest Receipt figure used in the total estimated payment to Borough needs to be discounted by 15% for special projects administered by a local Regional Advisory Committee.

¹¹ Note that the decrease in Estimate No. 2 is based upon the potential for revisions in the National Forest Receipts program. This revenue estimate assumes historic lows of approximately 10.6 per acre based on 25% of actual Tongass National Forest revenues forest-wide.

**OPERATING EXPENDITURES
FOR AREA PROPOSED
FOR ANNEXATION**

	'07/'08	'08/'09	'09/'10	'10/'11
<u>Operating Expenditures</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
Assembly and Mayor	0	0	0	0
Manager's Office	1,000	1,000	500	500
Clerk's Office	500	500	500	500
Law Department ¹⁹	500	500	500	500
Finance Department	2,000	1,000	1,000	1,000
Risk Management	0	0	0	0
Assessment ²⁰	26,724	13,380	13,380	13,380
Animal Control ²¹	0	0	0	0
Parks and Recreation ²²	0	0	0	0
Swim Club	0	0	0	0
Public Works ²³	0	0	0	0
Transportation Services ²⁴	0	0	0	0
Planning ²⁵	37,500	37,500	5,000	5,000
Child Care Grant Program	0	0	0	0

¹⁹ Estimate based upon additional phone and postage costs. No additional personnel will be required although annexation would initially add to existing departmental workload between 40-50 hours for the first year only decreasing to 5 hours per year thereafter. Source: Borough Attorney's Office.

²⁰ Source: Borough Assessor, August 25, 2005. Note that the costs for Year 1 are for initial appraisal and that second, third and fourth year costs are for new construction. It is expected that initially, assessment would be on a five year schedule. Fourth year costs (FY '12) not shown are also estimated to be \$13,380. Fifth year costs (FY '13), not shown, are estimated to be \$20,052 for re-appraisal.

²¹ Relatively low demand for service is anticipated based on resident comments during preliminary meetings.

²² Recreation will continue to be provided as a fee based service. No new operating costs are anticipated. Source: Parks and Recreation Dept.

²³ Annexation is not expected to increase operating expenditures for public works. Any capital improvements in the territory most likely will be funded through individual appropriation and may generate the need for additional public works staff time on a case-by-case basis.

²⁵ Initial start up costs include preparation of area plans for affected communities. Third year costs are indicative of estimated on-going maintenance costs required for permitting, site visits, and other regular Planning Department activities. See Transition Plan, Section 15. for additional information.

Grants	0	0	0	0
Non-Departmental	0	0	0	0
Automation	0	0	0	0
Interfund Transfers	0	0	0	0
Required Local Schools Contribution ²⁶	0	0	15,197	15,501
Discretionary Schools Contribution ²⁷	0	0	0	0
Library Services	8,764	8,940	9,118	9,301
TOTAL OPERATING EXPENSES	76,988	62,820	45,195	45,682
<i>(Within area proposed for annexation)</i>				

CAPITAL EXPENDITURES FOR AREA PROPOSED FOR ANNEXATION

	'07/'08	'08/'09	'09/'10	'10/'11
<u>Capital Expenditures</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
Teleconference Equipment ²⁸	1,500	0	0	0
TOTAL CAPITAL EXPENDITURES	1,500	0	0	0
<i>(Within area proposed for annexation)</i>				

B. Budget Projections for the Existing Borough. Listed below is a projection of significant Borough revenues (from local, State, Federal, and other sources), significant operating expenditures, and significant capital expenditures projected for the area within the existing boundaries of the Borough (i.e., excluding the area proposed for annexation) during each of the first four years following annexation. This information is presented in order to put the information in subsection 12.A into the context of revenues and expenditures of the existing Borough.

²⁶ The Borough's minimum local contribution for education as required by 14.17.410(b)(2) would increase as a result of annexation by only the equivalent of a 4 mill tax on 50% of the estimated full and true value as discussed in an April 25, 2005 State of Alaska Deputy Attorney General memo. The Borough's first year of funding obligation would be in 2010 with tacit approval by the State Legislature in January 2007. Assuming a projected full and true value of property in the area proposed for annexation of \$7,598,674 in FY 2010 (representing a 2% annual increase over the FY 2005 base year value of \$7,020,000), its minimum contribution would be 4 mills of 50% of \$7,598,674 (\$3,799,377) which is equal to \$15,197.

²⁷ The Borough can additionally contribute up to 23% of the State foundation formula or 2mills of the full and true value property whichever is greater. Since no students currently reside in the territory proposed for annexation, a \$0 dollar figure is used.

²⁸ Equipment would be needed to allow participation in Borough Assembly meetings from remote locations such as Meyers Chuck. See Section 15, Transition Plan for further details.

Existing and Projected Borough Revenues²⁹	'07/'08 Year 1	'08/'09 Year 2	'09/'10 Year 3	'10/'11 Year 4
Property Taxes	7,971,808	8,370,398	8,788,918	9,228,364
Business-Personal Taxes	496,125	520,931	546,978	574,327
Boat Taxes	27,562	28,940	30,387	31,906
Sales Taxes-In City	5,071,500	5,325,075	5,591,329	5,870,895
Sales Taxes-Out City	882,000	926,100	972,405	1,021,025
Transient Occupancy Tax	77,175	81,034	85,086	89,340
Automobile Tax	165,375	173,644	182,326	191,442
Penalty and Interest	110,250	115,763	121,551	127,629
Foreclosure Fees	15,435	16,207	17,017	17,868
NSF Fees	275	289	303	318
Registration Fees	0	0	0	0
SR Citizen Contribution	(606,677)	(637,011)	(668,862)	(702,305)
Alaska Housing Authority	13,781	14,470	15,194	15,954
Raw Fish Tax	385,875	405,169	425,427	446,698
National Forest Receipts				
ESTIMATE A	365,103	369,119	373,179	377,284
ESTIMATE B	66,675	67,408	68,150	68,899
State Grants	0	0	0	0
Payment In-Lieu of Taxes ³⁰	528,346	528,346	528,346	528,346
Services ³¹	1,050,757	1,103,295	1,158,460	1,216,383
Interfund Transfer Revenues ³²	915,127	960,883	1,008,927	1,059,373
TOTAL REVENUES (Estimate A)³³	17,469,817	18,302,652	19,176,971	20,094,847
TOTAL REVENUES (Estimate B)³⁴	17,171,389	18,000,941	18,871,942	19,786,462

²⁹ Source: KGB Finance Dept. All projections based upon approximately 5% annual increase starting from draft FY05/06 budget. Note that these figures are for the existing Borough within its existing boundaries and does not include figures from annexation.

³⁰ Figure used represents FY '08 estimate with no increase.

³¹ Includes interest income, zoning and platting fees, map sales, animal protection fees, passports, junk vehicle fees, public works fees, citations, recreation program fees, swim coach reimbursement, advertising income, bus system revenues, and transit operating grant.

³² Recreation operating, internal service fund, service area funds, admin fees-airport, admin fees-economic development, admin fee-wastewater.

³³ Assumes continuation of Forest Receipts funding at its current level with a 1.1% annual increase.

Existing and Projected Borough	'07/'08	'08/'09	'09/'10	'10/'11
<u>Operating Expenditures</u>³⁵	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
Assembly and Mayor	128,572	134,743	141,211	147,989
Manager's Office	681,988	714,723	749,030	784,983
Clerk's Office	221,868	232,518	243,679	255,376
Law Department	302,583	317,107	332,328	348,280
Finance Department	857,449	898,607	941,740	986,944
Risk Management	2,197	2,302	2,412	2,528
Assessment Department	582,668	610,636	639,947	70,664
Animal Protection Department	342,854	359,311	376,558	394,633
Parks and Recreation	1,484,283	1,555,529	1,630,194	1,708,443
Swim Club	50,587	53,015	55,560	58,227
Public Works	1,446,955	1,516,409	1,589,197	1,665,478
Transit	786,655	824,414	863,986	905,457
Planning	739,029	774,502	811,678	850,639
Child Care Grant Program	0	0	0	0
Grants	0	0	0	0
Non-Departmental	312,233	327,220	342,927	359,387
Automation	366,691	384,292	402,738	422,069
Interfund Transfers	144,732	151,679	158,960	166,590
Education	8,708,157	9,126,149	9,564,204	10,023,286
OPERATING EXPENSES	17,159,501	17,983,156	18,846,349	19,750,973
(within existing Borough)				
Existing Borough	'07/'08	'08/'09	'09/'10	'10/'11
<u>Capital Expenditures</u>³⁶	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
Equipment Replacement	200,000	200,000	200,000	200,000
TOTAL				
OPERATING EXPENSES	17,359,501	18,183,156	19,046,349	19,950,973

³⁴ Assumes Forest Receipts income based upon 25% of total revenue generated by the Tongass National Forest expressed as an average of yearly funding generated between FY '98 through FY '01.

³⁵ Source: KGB Finance Dept. Projections based upon FY '06 Draft Ketchikan Gateway Borough Budget increased 4.8% annually for all line items.

³⁶ Source: KGB Finance Dept. Expenditure estimates for equipment replacement.

SECTION 13. EXISTING LONG-TERM BOROUGH DEBT. The following is a summary of the existing long-term indebtedness of the Borough.

<u>Description</u>	<u>Current Principal</u>	<u>Annual Payment</u>	<u>Date Fully Paid</u>
School Bond 2005	\$7,900,000	\$211,731 ³⁷	5/1/2025
School Bond 2003	\$8,440,000	\$688,578	11/1/2022
School Bond 2000	\$7,910,000	\$778,100	5/1/2020
School Bond 1999	\$6,320,000	\$656,423	5/1/2019
Indoor Rec. 1995	\$2,735,000	\$795,037	5/15/2009

SECTION 14. BOROUGH POWERS AND FUNCTIONS.

A. Current Borough Powers and Functions. Listed below are the powers and functions currently exercised by Borough on an area-wide basis (i.e., throughout the entire Borough), non-area-wide basis (throughout the portion of the Borough exclusive of the territory within the boundaries of city governments), service-area basis (i.e., within a service area), and extraterritorial basis (i.e., outside the boundaries of the Borough under AS 29.35.020).

AREAWIDE BOROUGH POWERS AND FUNCTIONS

Mandatory

1. Education (School budgets, location of buildings, construction and major repairs)
2. Assessment and collection of property, sales, and transient occupancy taxes
3. Land use regulation (zoning and subdivisions)

Discretionary

1. Recreation (development and maintenance of parks and recreation facilities)
2. Economic Development Assistance (grants, loans, and planning)
3. Public Transportation (Bus service)
4. Airport
5. Animal Control

NONAREAWIDE BOROUGH POWERS AND FUNCTIONS

1. Library

³⁷ Figure represents Borough's 30% share of total payment of \$705,769 of which the state pays \$494,038 (70%)

2. Regulation of Fireworks
3. Wastewater Enterprise Fund (sewerage and collection and disposal of septic system waste).

SERVICE AREA BOROUGH POWERS AND FUNCTIONS

The following list of service area powers and functions are not exercised by all service areas.

1. Fire suppression
2. Emergency Medical Service
3. Road maintenance
4. Water
5. Street Lighting
6. Docks and marine facilities (not currently exercised)
7. Road construction

BOROUGH POWERS AND FUNCTIONS EXERCISED EXTRATERRITORIALLY

The Borough does not currently officially exercise any powers in any of the territory proposed for annexation under the authority of AS 29.35.020 or in any other area. However, on occasion, the Borough animal shelter will accept animals and process adoptions for residents from outside the existing Borough.

B. Borough Powers and Functions Proposed to Be Exercised in the Area Proposed for Annexation. Listed below are the powers and functions proposed to be exercised by the Borough in the area proposed for annexation.

AREAWIDE BOROUGH POWERS AND FUNCTIONS

Mandatory

1. Education (School budgets, location of buildings, construction and major repairs).
2. Assessment and collection of property, sales, and transient occupancy taxes.
3. Land use regulation (zoning and subdivisions).

Discretionary

1. Recreation (development and maintenance of parks and recreation facilities).
2. Economic Development Assistance (grants, loans, and planning).
3. Public Transportation.³⁸
4. Animal Control.³⁹

NONAREAWIDE BOROUGH POWERS AND FUNCTIONS

The Borough currently provides the following services on a non-area basis

1. Library
2. Septic Waste Collection and Disposal
3. Solid Waste Collection
4. Solid Waste Disposal

SERVICE -AREA POWERS AND FUNCTIONS

In the event of annexation, it is expected that residents of Meyers Chuck will at some time in the future form a service area to provide services such as dock maintenance, solid waste disposal, wastewater treatment and disposal, or water treatment and distribution, depending upon when residents wish to organize and pay for provision of these services.

C. Current Service Providers in the Area Proposed for Annexation.

Listed below are the names of entities (existing boroughs, cities, unorganized borough service areas, or other appropriate entities) currently providing public or public-type services and functions within the area proposed for annexation (including the Petitioner if it serves the area proposed for annexation on an extraterritorial basis). The specific public or public-type services and functions are also listed.

³⁸ It is not anticipated to extend any public transportation services within the area proposed for annexation at this time.

³⁹ Animal control services will likely be continued on an ad-hoc, unofficial basis consistent with current practice.

Provider	Service or Function
Southeast Island School District ⁴⁰	Education
Meyers Chuck Community Association	Water Supply
Meyers Chuck Community Association	Fire Suppression
Ketchikan Gateway Borough	Animal Protection Services (provided infrequently upon request)

SECTION 15. TRANSITION PLAN. Exhibit E presents the transition plan required under 3 AAC 110.900. The transition plan includes the following:

- A. A practical plan that demonstrates the capability of the Borough to extend essential borough services (as determined under 3 AAC 110.970) into the area proposed for annexation in the shortest practical time after the effective date of annexation (not to exceed two years).
- B. A practical plan for the assumption of all relevant and appropriate powers, duties, rights, and functions presently exercised by an existing borough, city, unorganized borough service area, or other appropriate entity in the area proposed for annexation.
- C. A practical plan for the transfer and integration of all relevant and appropriate assets and liabilities of an existing borough, city, unorganized borough service area, and other entity located in the area proposed for annexation. As required by 3 AAC 110.900, the plan for transfer and integration of all relevant and appropriate assets and liabilities has been prepared in consultation with the officials of each existing borough, city, and unorganized borough service area wholly or partially included in the area proposed for annexation. The plan has also been designed to affect an orderly, efficient, and economical transfer within the shortest practicable time, not to exceed two years after annexation. The plan specifically addresses procedures to ensure that the transfer and integration occur without loss of value in assets, loss of credit reputation, or a reduced bond rating for liabilities.

⁴⁰ Note that although the Southeast Island School District is responsible for provision of educational services in the area proposed for annexation, there are currently no known school age children residing in the territory who would require, or receive, services.

SECTION 16. COMPOSITION AND APPORTIONMENT OF THE ASSEMBLY. Exhibit F. Presents information about the current composition and apportionment of the Borough Assembly. It also describes any change to the composition and apportionment of the Borough Assembly contemplated following annexation.

SECTION 17. FEDERAL VOTING RIGHTS ACT INFORMATION. Information regarding any effects of the proposed annexation upon civil and political rights for purposes of the Federal Voting Rights Act is provided in **Exhibit G**. This information includes the following:

- A. Purpose and effect of annexation as it pertains to voting.
- B. Extent to which the annexation excludes minorities while including other similarly situated persons.
- C. Extent to which annexation reduces the Borough's minority population percentage.
- D. Whether the electoral system of the Borough fails fairly to reflect minority voting strength.
- E. Participation by minorities in the development of the annexation proposal.
- F. Designation of an Alaska Native for U.S. Department of Justice contact regarding the proposed annexation.
- G. Statement concerning the understanding of English in written and spoken forms among minority residents of the Borough and the area proposed for annexation.

SECTION 18. SUPPORTING BRIEF. Exhibit H consists of a supporting brief that provides a detailed explanation of how the proposed annexation satisfies each constitutional, statutory, and regulatory standard that is relevant to the proposed annexation. The brief demonstrates with detailed facts and analysis that:

- A. The proposed annexation will result in a borough that embraces an area and population with common interests to the maximum degree possible in accordance with Article X, Section 3 of the Constitution of the State of Alaska.
- B. Based on relevant factors listed in 3 AAC 110.160(a), plus other relevant factors, the social, cultural, and economic characteristics and activities of

the people in the area proposed for annexation are interrelated and integrated with the characteristics and activities of the people in the Borough.

- C. Based on relevant factors listed in 3 AAC 110.160(b), plus other relevant factors, the communications media and the land, water, and air transportation facilities throughout the proposed expanded Borough boundaries allow for the level of communications and exchange necessary to develop an integrated borough government.
- D. Based on relevant factors listed in 3 AAC 110.170, plus other relevant factors, the population of the proposed expanded Borough is sufficiently large and stable to support the resulting expanded Borough.
- E. Based on relevant factors listed in 3 AAC 110.180, plus other relevant factors, the economy within the proposed expanded boundaries of the Borough includes the human and financial resources necessary to provide, on an efficient, cost-effective level, services determined to be essential borough services under 3 AAC 110.970.
- F. Based on relevant factors listed in 3 AAC 110.190(a), plus other relevant factors, the proposed expanded boundaries of the Borough conform generally to natural geography and include all land and water necessary to provide, on an efficient, cost-effective level, the full development of services determined to be essential borough services under 3 AAC 110.970.
- G. The area proposed for annexation is contiguous to the existing boundaries of the Borough and would not create enclaves in the expanded boundaries of the Borough. Alternatively, under 3 AAC 110.190(b), a specific and persuasive showing is made that annexation of noncontiguous area or area that would create enclaves includes all land and water necessary to allow, on an efficient, cost-effective level, the full development of services determined to be essential borough services under 3 AAC 110.970.
- H. The area proposed for annexation is within the model boundaries of the Borough as defined by 3 AAC 110.990(9). Alternatively, under 3 AAC 110.190(c), a specific and persuasive showing is made that annexation of area beyond the model boundaries of the Borough meets the constitutional, statutory, and regulatory standards for annexation.
- I. The proposed annexation offers an appropriate balance of all standards for borough annexation. The Borough reasonably expects this to be demonstrated following consultation by the Local Boundary Commission with the Alaska Department of Education and Early Development as required under 3 AAC 110.190(d).

- J. The proposed annexation does not describe boundaries overlapping the boundaries of an existing organized borough and otherwise complies with the standards and procedures for detachment of the overlapping region from the existing organized borough as required by 3 AAC 110.190(e).
- K. Based on relevant factors listed in 3 AAC 110.195, plus other relevant factors, the proposed annexation is in the best interests of the State under AS 29.06.040(a) and 3 AAC 110.980.
- L. The area proposed for annexation meets the annexation standards specified in 3 AAC 110.160 - 3 AAC 110.195 and at least one of the circumstances outlined in 3 AAC 110.200 (1) – (10) exists.
- M. In accordance with 3 AAC 110.910, the proposed annexation to the Borough will not deny any person the enjoyment of any civil or political right, including voting rights, because of race, color, creed, sex, or national origin.
- N. The Petitioner has prepared a proper transition plan under 3 AAC 110.900.

Other constitutional principles served by the annexation proposal, such as the equal-protection clause and the equal-responsibility clause of Article I, Section 1, and the maximum local self-government clause and minimum of local government units clause of Article X, Section 1, are also addressed in the supporting brief.

SECTION 19. AUTHORIZATION TO FILE THE PETITION. A certified copy of the ordinance or resolution adopted by the Borough Assembly to authorize the filing of this Petition is provided as **Exhibit I**.

SECTION 20. PETITIONER'S AFFIDAVIT. Exhibit J consists of an affidavit of the Petitioner's Representative swearing or affirming that, to the best of the Representative's knowledge, information, and belief, formed after reasonable inquiry, the information in the Petition is true and accurate.

DATED this 19th day of December, 2005.

By: 
Petitioner's Representative

EXHIBIT A

LEGAL DESCRIPTION OF THE AREA PROPOSED FOR ANNEXATION.

A written legal description of the area proposed for annexation is presented below.¹

That area within the model borough boundaries of the Ketchikan Gateway Borough as defined by 3 AAC 110.990(9), excluding the area within the existing corporate boundaries of the Ketchikan Gateway Borough and boundaries of the Annette Island Reserve, and more specifically described below.

Beginning at a point on Clarence Strait at the mid point of a line between Scott Point (on Prince of Wales Island) and Cow Island at Latitude 54° 58' N by Longitude 131° 49' W,

thence easterly to the mid point between Point Davison and Cow Island,

thence northeasterly to Grass Rock,

thence southeasterly to Ajax Reef,

thence easterly to the mid point of Felice Strait,

thence northeasterly to the intersection of Felice Strait and the mid point of Revillagigedo Channel, at approximately Latitude 55° 10' N, Longitude 131° 15' W,

thence northwesterly following the mid point of Revillagigedo Channel (west side of Bold Island), to Nichols Passage,

thence southwesterly along the mid-point of Nichols Passage to the mid-point of Clarence Strait,

thence northwesterly following the mid point of Clarence Strait, east of the eastern shore of Prince of Wales Island to the intersection of the mid point of Ernest Sound,

thence northeasterly following the midpoint of Ernest Sound to approximately Eaton Point where it meets the southern boundary of the existing Wrangell Ranger District, [Boundary based upon the US Forest Service's Tongass National Forest 1:100,000 scale mapping; Sheet 23 (1983 minor rev. 1990), Sheet 24 (1983 minor rev. 1995), Sheet 26 (1980), Sheet 27 (1980 minor rev. 1985)],

thence following the Wrangell Ranger District's southern boundary northeasterly to the Alaska/Canada border,

thence southeasterly and southwesterly following the Alaska/Canada border to the boundary dividing Misty Fjords National Monument and unrestricted Tongass National Forest lands;

thence southerly along the boundary dividing Misty Fjords National Monument and unrestricted Tongass National Forest lands to the Alaska/Canada border located within the Portland Canal;

¹ Source: DCCED. Based upon 2002 legal descriptions prepared for model boroughs and United States Forest Service boundary information

thence southerly along the Alaska/Canada boarder located within Portland Canal through Tongass Passage where it meets the Exclusive Economic Zone Limit,

thence, westerly following the Exclusive Economic Zone Limit to a point south of the mid-point on a line between Scott Point (on Prince of Wales Island) and Cow Island at approximate Latitude 54° 58' N by Longitude 131° 49 W,

thence north to said mid-point, the point of origin,

excluding therefrom, the area within the model borough boundaries of the Annette Island Reserve model borough, as that area is defined by 3 AAC 110.990(9),

further excluding therefrom, the area within the existing corporate boundaries of the Ketchikan Gateway Borough,

the net area described above encompasses an estimated **4,701²** square miles.

NOTE: All latitude and longitude information has been scaled off from the USGS ALASKA MAP B. To facilitate the boundary description of the above model borough, territory that is outside the jurisdiction of the State of Alaska was included. It is recognized, however, that the jurisdiction of organized boroughs, which are political subdivisions of the State of Alaska, can extend only to the jurisdictional limits of the State of Alaska as designated under AS 44.03.010.

² Note: the estimated size of the annexed area is based upon 4,906 square miles (source: DCCED. Phone conversation with DCEED staff Dan Bockhorst, May 23, 2005) minus an estimated 205 square miles contained within the boundaries of the unrestricted National Forest surrounding Hyder as shown on Exhibit C.

EXHIBIT B
LEGAL DESCRIPTION OF THE PROPOSED POST-ANNEXATION
BOUNDARIES OF THE BOROUGH

A written legal description of the boundaries of the Borough should annexation of the request territory be approved, is as follows:¹

That area within the model borough boundaries of the Ketchikan Gateway Borough as defined by 3 AAC 110.990(9) and more specifically described below.

Beginning at a point on Clarence Strait at the mid point of a line between Scott Point (on Prince of Wales Island) and Cow Island at Latitude 54° 58' N by Longitude 131° 49' W,

thence easterly to the mid point between Point Davison and Cow Island,

thence northeasterly to Grass Rock,

thence southeasterly to Ajax Reef,

thence easterly to the mid point of Felice Strait,

thence northeasterly to the intersection of Felice Strait and the mid point of Revillagigedo Channel, at approximately Latitude 55° 10' N, Longitude 131° 15' W,

thence northwesterly following the mid point of Revillagigedo Channel (west side of Bold Island), to Nichols Passage,

thence southwesterly along the mid-point of Nichols Passage to the mid-point of Clarence Strait,

thence northwesterly following the mid point of Clarence Strait, east of the eastern shore of Prince of Wales Island to the intersection of the mid point of Ernest Sound,

thence northeasterly following the midpoint of Ernest Sound to approximately Eaton Point where it meets the southern boundary of the existing Wrangell Ranger District, [Boundary based upon the US Forest Service's Tongass National Forest 1:100,000 scale mapping; Sheet 23 (1983 minor rev. 1990), Sheet 24 (1983 minor rev. 1995), Sheet 26 (1980), Sheet 27 (1980 minor rev. 1985)],

thence following the Wrangell Ranger District's southern boundary northeasterly to the Alaska/Canada border,

thence southeasterly and southwesterly following the Alaska/Canada border to the boundary dividing Misty Fjords National Monument and unrestricted Tongass National Forest lands;

thence southerly along the boundary dividing Misty Fjords National Monument and unrestricted Tongass National Forest lands to the Alaska/Canada boarder located within the Portland Canal;

¹ Source: DCCED. Based upon 2002 legal descriptions prepared for model boroughs and United States Forest Service Boundary information.

thence southerly along the Alaska/Canada border located within Portland Canal through Tongass Passage where it meets the Exclusive Economic Zone Limit,

thence, westerly following the Exclusive Economic Zone Limit to a point south of the mid-point on a line between Scott Point (on Prince of Wales Island) and Cow Island at approximate Latitude 54° 58' N by Longitude 131° 49 W,

thence north to said mid-point, the point of origin,

excluding therefrom, the area within the model borough boundaries of the Annette Island Reserve model borough, as that area is defined by 3 AAC 110.990(9),

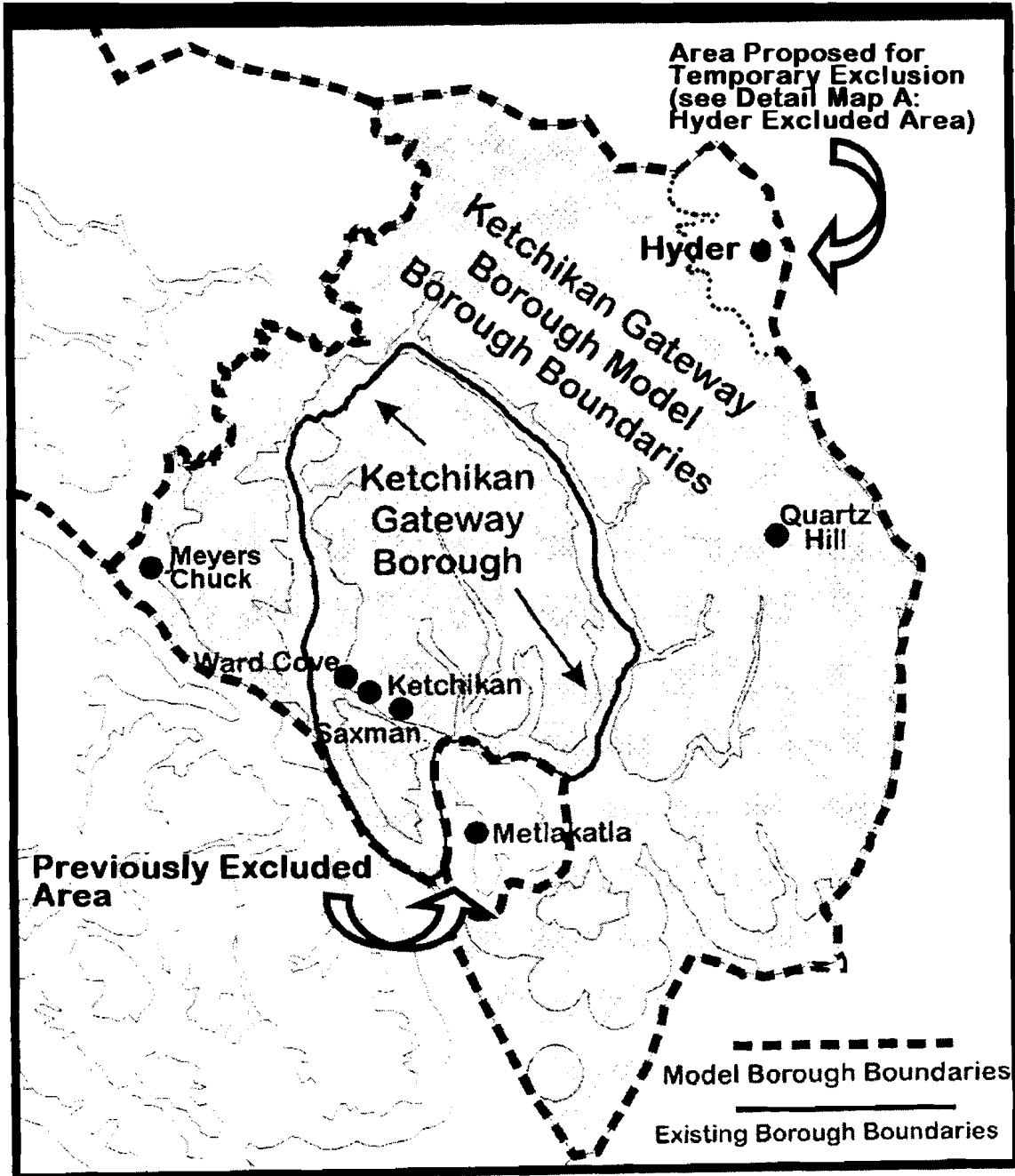
the net area described above encompasses an estimated **6,455** square miles which includes approximately **1,754²** square miles within the existing Borough and **4,701** square miles within the area proposed for annexation.

NOTE: All latitude and longitude information has been scaled off from the USGS ALASKA MAP B. To facilitate the boundary description of the above model borough, territory that is outside the jurisdiction of the State of Alaska was included. It is recognized, however, that the jurisdiction of organized boroughs, which are political subdivisions of the State of Alaska, can extend only to the jurisdictional limits of the State of Alaska as designated under AS 44.03.010.

² Source: DCCED Community Information Summary

EXHIBIT C MAPS AND PLATS

A map showing the existing boundaries of the Borough and the boundaries of the area proposed for annexation are presented in this Exhibit.





Detail Map A: Hyder Excluded Area

**EXHIBIT D
INFORMATION RELATING TO PUBLIC NOTICE
AND SERVICE OF THE PETITION**

This Exhibit provides information relevant to public notice of this annexation proceeding. The information includes specifics about local media; adjacent municipal governments; places recommended for posting notices; location(s) where the Petition may be viewed; and parties who, because of their interest in this matter, may warrant the courtesy of individual notice of the annexation proceedings.

LOCAL MEDIA

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

Newspaper(s)

Name: Ketchikan Daily News
Address: 501 Dock Street
Ketchikan, Alaska 99901
Telephone #: (907) 225-3157
Fax #: (907) 225-1096

Name: Island News
Address: P.O. Box 19430
Thorne Bay, Alaska 99919
Phone: 907-828-3377
Fax #: 907-828-3351

Name: The Local Paper
Address: 516 Stedman Street
Ketchikan, Alaska 99901
Telephone #: (907) 225-6540
Fax: (907) 225-6435

Name: Sitnews
Address: editor@sitnews.org
23 Higgins Spur
Ketchikan, Alaska 99901
Telephone #: (907) 247-8490
Fax: (907) 225-8590

Radio station(s)

Name: KRBD FM Radio
Address: 123 Stedman Street
Ketchikan, Alaska 99901
Telephone #: (907) 225-9655
Fax #: (907) 247-0808

Name: KFMJ FM Radio
Address: 516 Stedman Street
Ketchikan, Alaska 99901
Telephone #: (907) 247-3699
Fax #: (907) 247-5365

Name: KGTW FM and KTKN AM Radio
Address: 526 Stedman Street
Ketchikan, Alaska 99901
Telephone #: (907) 225-2193
Fax #: (907) 225-0444

Television Stations

Name: KUBD Channel 4-CBS
Address: 516 Stedman Street
Ketchikan, Alaska 99901
Telephone #: (907) 225-4613

Name: GCI Public Access Channel 11
Address: 2417 Tongass Avenue, Suite 104
Ketchikan, Alaska 99901
Telephone #: (907) 225-2191

ADJACENT MUNICIPAL GOVERNMENTS

The following is a list of city governments and organized boroughs whose boundaries extend to within 20 miles of the current or proposed boundaries of the Borough.

City of Ketchikan 334 Front Street Ketchikan, Alaska 99901	City of Saxman 2706 South Tongass Ketchikan, Alaska 99901
City of Coffman Cove 310 Harbor Avenue Coffman Cove, Alaska 99918	City of Klawock P.O. Box 113 Klawock, Alaska 99925
City of Kasaan P.O. Box KXA – Kasaan Ketchikan, Alaska 99950-0340	City of Thorne Bay P.O. Box 19110 Thorne Bay, Alaska 99919
Metlakatla Indian Community P.O. Box 6 Metlakatla, Alaska 99926	

PLACES RECOMMENDED FOR POSTING OF OFFICIAL NOTICES RELATING TO ANNEXATION

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

Meyers Chuck Post Office
Yes Bay Lodge
Bell Island Hot Springs Boat House
Hyder Community Association¹

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

Ketchikan Post Office
Saxman Post Office
City of Ketchikan Municipal Offices
Ketchikan Gateway Borough Municipal Offices

¹ Note that although Hyder is not currently within the area proposed for annexation, it was posted in a manner to maximize resident participation in the annexation review process.

LOCATION(S) WHERE THE PETITION MATERIALS WILL BE AVAILABLE FOR PUBLIC REVIEW

The Petitioner proposes to comply with 3 AAC 110.460(b) by providing a full set of Petition documents for public review at the location(s) listed below which are open to the public on the days and times listed below.

Location	Days and Times Open to the Public
Ketchikan Gateway Borough 344 Front Street Ketchikan, AK 99901	Monday through Friday 8:00 a.m. to 5:00 p.m.
Ketchikan Public Library 629 Dock Street Ketchikan, AK 99901	Monday through Wednesday 10:00 a.m. to 8:00 p.m. Thursday through Saturday 10:00 a.m. to 6:00 p.m. Sunday 1:00 p.m. to 5:00 p.m.
Meyers Chuck Post Office	Tuesday and Wednesday 10:00 a.m. to 12:30 p.m.
Hyder Community Assoc. Library Main Street Hyder, Alaska 99923	Monday through Friday, 9:00 a.m. to 3:00 p.m. (closed December 17 th through January 2 nd)

INDIVIDUALS AND ORGANIZATIONS THAT MAY WARRANT THE COURTESY OF INDIVIDUAL NOTICE OF THE FILING OF THE ANNEXATION PETITION

The following is a list of names and addresses of individuals and organizations whose potential interest in the annexation proceedings may warrant the courtesy of individual notice of the filing of the petition.

Governor Frank Murkowski P.O. Box 110001 Juneau, AK 99811-0001	Senator Burt Stedman State Capitol, Room 30 Juneau, AK 99801-1182
Bill Thomas State Capitol, Room 428 Juneau, AK 99801-1182	Representative Jim Elkins State Capitol, Room 416 Juneau, AK 99801-1182
City of Petersburg P.O. Box 329 Petersburg, Alaska 99901	City of Wrangell P.O. Box 531 Wrangell, Alaska 99901
City of Craig P.O. Box 725 Craig, Alaska 99921	City of Hydaburg P.O. Box 49 Hydaburg, Alaska 99922

City of Kake P.O. Box 500 Kake, Alaska 99830	City of Hoonah P.O. Box 360 Hoonah, AK 99829
City of Pelican P.O. Box 737 Pelican, Alaska 99832	City of Angoon P.O. Box 189 Angoon, AK 99820
Haines Borough P.O. Box 1209 Haines, AK 99827	City and Borough of Juneau 155 South Seward Street Juneau, AK 99801
City of Port Alexander P.O. Box 8068 Port Alexander, Alaska 99836	City of Tenakee Springs P.O. Box 52 Tenakee Springs, Alaska 99841
City and Borough of Sitka 100 Lincoln Street Sitka, AK 99835	City and Borough of Yakutat P.O. Box 160 Yakutat, AK 99689
City of Gustavus P.O. Box 1 Gustavus, AK 99602	City of Kupreanof P.O. Box 50 Petersburg, AK 99833
City of Skagway P.O. Box 415 Skagway, AK 99840	Susan Kraft P.O. Box 108 Hyder, Alaska 99923
Jim Nygaard Southeast Islands School District P.O. Box 19569 Thorne Bay, Alaska 99919-8340	Paul Larkin, President Hyder Community Association P.O. Box 149 Hyder, Alaska 99923
Dr. Robert Lang Annette Islands School District P.O. 7 Metlakatla, Alaska 99926	Sealaska Corporation 2030 Sea Level Drive Ketchikan, Alaska 99901
Cape Fox Corporation 2851 S. Tongass Highway Ketchikan, Alaska 99901	Ketchikan Pulp Company Box 6600 Ketchikan, Alaska 99901
Yes Bay Lodge P.O. Box 8660 Ketchikan, Alaska 99901	Chatham School District P.O. Box 109 Angoon, Alaska 99820
Meyers Chuck Community Assoc. General Delivery Meyers Chuck, Alaska 99903	Jay Marble P.O. Box 674 Craig, Alaska 99921
Greg Rice Island D. Meyers Chuck, Alaska 99903	Roryn Marion Bifoss Box 6 Meyers Chuck, Alaska 99903
David Galla P.O. Box 1851 Wrangell, Alaska 99929	Steve Peavey P.O. Box 5 Meyers Chuck, Alaska 99903

G. Gucker P.O. Box 13 Meyers Chuck, Alaska 99903	Evening Star H. Grutter 105 Tolvo Sitka, Alaska 99835
Peter Rice General Delivery Meyers Chuck, Alaska 99903	Shawn McAllister Island "A" Meyers Chuck, Alaska 99903
Kurt Brodersen P.O. Box 23 Meyers Chuck, Alaska 99903	Cassy & Steve Peavey P.O. Box 5 Meyers Chuck, Alaska 99903
Terry Duches P.O. Box 13 Meyers Chuck, Alaska 99903	Debbie Johnson P.O. Box 100 Meyers Chuck, Alaska 99903
Valery McCandless P.O. Box 531 Wrangell, Alaska 99929	Trina McCandless P.O. Box 531 Wrangell, Alaska 99929
Brent & Debra Stucki General Delivery Hyder, Alaska 99923	Ron Tschakert General Delivery Hyder, Alaska 99923
Scott Wilks P.O. Box 61 Hyder, Alaska 99923	Danita Smith P.O. Box 93 Hyder, Alaska 99923
John & Ann Catron P.O. Box 136 Hyder, Alaska 99923	Carl Bradford P.O. Box 75 Hyder, Alaska 99923
Lester & Laura Catron P.O. Box 122 Hyder, Alaska 99923	George Winter P.O. Box 63 Hyder, Alaska 99923
Caroline Stewart P.O. Box 1 Hyder, Alaska 99923	Darroll Wilks P.O. Box 1 Hyder, Alaska 99923
Mark Medeiros P.O. Box 95 Hyder, Alaska 99923	Simpson's P.O. Box 45 Hyder, Alaska 99923
Melissa Medeiros P.O. Box 95 Hyder, Alaska 99923	Ted & Jule MacKowski P.O. Box 156 Hyder, Alaska 99923
Dean Mashinter P.O. Box 128 Hyder, Alaska 99923	Peter & Libby Caffall-Davis P.O. Box 77 Hyder, Alaska 99923
Susan Hickman P.O. Box 23 Hyder, Alaska 99923	David Doyle P.O. Box 4 Hyder, Alaska 99923
Burnett's P.O. Box 25 Hyder, Alaska 99923	Gladys Hancock P.O. Box 49 Hyder, Alaska 99923

Doug Martin P.O. Box 148 Hyder, Alaska 99923	Charles E. Slajer P.O. Box 29 Hyder, Alaska 99923
Kathleen Shirley P.O. Box 47 Hyder, Alaska 99923	John Pearson Hyder Board of Trade Inc. P.O. Box 35892 Juneau, Alaska 99803
Chatham Schools P.O. Box 109 Angoon, AK 99820	Annette Island Schools P.O. Box 7 Metlakatla, AK 99926
Metlakatla Indian Community P.O. Box 8 Metlakatla, Alaska 99926	Southeast Island Schools P.O. 19569 Thorne Bay, Alaska 99919

EXHIBIT E TRANSITION PLAN

This Exhibit presents the transition plan of the Borough required under 3 AAC 110.900. The transition plan includes the following:

A practical plan that demonstrates the capability of the Borough to extend essential borough services (as determined under 3 AAC 110.970) into the area proposed for annexation in the shortest practical time after the effective date of annexation (not to exceed two years).

1. Effective Date. The Borough expects the effective date of annexation will begin immediately following pre-clearance under the Federal Voting Rights act which is expected by March 30th, 2007 following tacit approval by the State Legislature in March, 2007.

2. Taxation. On July 1st, 2008, following a period of transition planning, commercial activities conducted in the territory and real property would be subject to sales and property taxes levied by the Borough. However, if there is any delay in initiation of the services described in Section 3 below, the imposition of taxes would be delayed until the date when services are initiated. Note that pursuant to AS 29.06.055(a), unless the annexation takes effect on January 1, the annexing municipality may not levy property taxes in an annexed area before January 1 of the year immediately following the year in which the annexation takes effect. However, notwithstanding other provisions of law, the municipality may provide services in the annexed area that are funded wholly or partially with property taxes during the period before the municipality may levy property taxes in the annexed area.

3. Services and Functions. No later than July 1, 2008, the Borough will extend all services currently funded by Borough property taxes, sales, and transient occupancy taxes. These services include the following:

- a. Education (School budgets, location of buildings, construction and major repairs)
- b. Assessment and collection of property, sales, and transient occupancy taxes
- c. Planning (land use regulation and subdivisions)
- d. Recreation (development and maintenance of parks and recreation facilities)
- e. Library Services¹
- f. Economic Development Assistance (grants and loans)

¹ Note that the Borough currently collects 1.2 mills in property taxes from Borough residents which pay for their access to library services provided by the City of Ketchikan.

4. Borough Capability to Extend Services. When planning for the extension of the above referenced services, the Borough considered the following factors:

- The extent to which local residents expressed either a need or desire for provision of discretionary area-wide or non-area-wide services by the Borough;
- The extent to which the services are already being provided by the Borough to the territory;
- Geographic features which might limit the Borough's ability to serve the territory; and
- The financial impacts that annexation might reasonably be expected to have on the Borough.

Need and Desire for Services. Prior to preparation of the petition, Borough representatives traveled to Hyder and Meyers Chuck and met with community members to discuss the Borough's annexation goals, to hear from residents regarding any desire or need for services, and to receive any information regarding capital improvements needs in the affected communities. Community residents expressed overwhelming opposition to the annexation proposal, expressed no desire or need for Borough administered services (i.e. education, planning, tax assessment and collection, library, regulation of fireworks, public transportation, wastewater collection and disposal of septic system waste or animal control), and did not express a need for capital improvements that could be financed by or through the Borough.

The territory proposed for annexation, however, is abundant in natural resources and will at some time in the future be developed. Such development will directly impact the existing Ketchikan Gateway Borough due to Ketchikan's economic role within the region. Any development will also require a structured planning and development process to assure the needs of developers are balanced with desires of nearby and impacted residents.

The Borough proposes to initially provide only those mandatory services required by State Statutes (education, planning, platting, land use regulation and assessment and collection of taxes). Additional services such as economic development (grants and loans) and recreation (development or maintenance of facilities) or other discretionary services will be provided on an as-needed basis or as desired by the residents to be annexed.

Services Currently Provided. The Borough currently exercises no formal extraterritorial jurisdiction in the area proposed for annexation although some residents outside the Borough utilize the Borough's library, animal control, airport, health care, and other facilities on an as-needed, sometimes fee-based, basis.

Limiting Geographic Features. The territory proposed for annexation, like most of the existing Ketchikan Gateway Borough, is remote. The Borough presently provides services to remote developed areas such as Loring and Moser Bay and sees no geographic features which will prevent it from providing services to the territory.

Financial Impacts. The 2005 estimated taxable value of property within the territory proposed for annexation is \$7,020,000. Assuming an estimated 2% growth per year, the anticipated FY 08/09 real and personal property tax generated will be \$55,873 based upon a mill rate of 8.7 mills² (see Sections 11. Tax Data, and 12. Budget Projections). Sales tax collections during the first year are estimated to be \$21,224 in FY 08/09 and increasing 2% thereafter. Total estimated gross revenues generated by the territory proposed for annexation, depending upon changes in forest receipts funding, are estimated to be between \$1,235,796 and \$299,138 in FY08/09. Total operating expenses within the area proposed for annexation in FY08/09 is estimated at \$62,620. The initial year of transition, FY 07/08 is anticipated to be higher due to start-up costs associated with assessment and planning.

Changes in national forest receipts funding, although not predictable, are inevitable as Federal policy evolves over time. However, when considered over the time period associated with the annexation, it is expected that additional receipts generated from the forest will be sufficient to offset the costs of providing services within the area proposed for annexation. This net increase in funding will be used to off-set the costs of providing required and discretionary Borough services and facilities not identified above (amortization of new equipment and buildings, and economic development) among others as needs in the area proposed for annexation change over time.

5. Services Requiring Capital Funding. At the present time, there does not appear to be a need or desire for Borough capital funding of projects in the area proposed for annexation such as school buildings, or administrative facilities. The Borough will undertake such improvements and incur such costs only as capital projects have been designed and adequate funding identified. The Borough expects to leverage such funding through legislative grants, and local bond sales, and through the annual local budgeting process. It is expected that new service areas established within the area proposed for annexation will also contribute towards project funding.

² Note that the 8.7 mill rate includes a base rate of 7.5 mills plus 1.2 mills for non-area-wide library services.

A practical plan for the assumption of all relevant and appropriate powers, duties, rights, and functions presently exercised by an existing borough, city, unorganized borough service area, or other appropriate entity in the area proposed for annexation.

The territory proposed for annexation has no organized communities and is entirely located within the State's unorganized borough. The Petitioner is unaware of any powers, duties, right or functions being performed by the State. Existing Borough powers and duties as authorized through ordinances, rules, resolutions and procedures that are in place upon the effective date of annexation shall apply immediately to the annexed territory.

Within two years of annexation, the Borough will review its ordinances, rules, resolutions, procedures and orders to determine whether any changes to these documents may be warranted as a result of annexation. Particular and more immediate attention will be given to the following:

1. **Polling Places.** It is anticipated that Meyers Chuck will be established as "by-mail" precincts consistent with current practice. Ballots would be mailed to each registered voter.
2. **Assessment.** If the annexation petition passes legislative review, the Borough Assessor expects to begin preparation of a tax roll for the area proposed for annexation beginning in the spring of 2007 and concluding by December 2007 for commencement of an initial five-year cycle of assessment beginning in July 2008.
3. **Planning.** The Borough Planning Department will begin long range planning functions beginning upon the effective date of the Petition. Short range planning activities including zoning permits and plat review will begin no later than July 1, 2008. Costs for this work have been provided for in Section 12. Budget.
4. **Land Use Regulations, Platting, Zoning.** Following the planning activities referenced above, the Borough Planning Department will prepare land use regulations consistent with the planning goals identified in Section 3., above.
5. **Coastal Management Plan.** The Borough, most likely with State assistance, will initiate efforts to update its Coastal Management Plan to reflect the expanded boundaries beginning the effective date of the Petition.
6. **Library Services.** The City of Ketchikan, under contract by the Ketchikan Gateway Borough, will provide library services in the territory on a non-area-wide basis consistent with its practice in other

parts of the Borough not on the road system. The service could be provided within the existing funding scheme supporting by the 1.2 mill non-area-wide property tax on property outside of the City.³

7. **Integration of Existing Regional Educational Attendance Area (REAA).** The territory proposed for annexation encompasses part of a regional educational attendance area known as the Southeast Island School District (SISD). The Borough's public and secondary education services will be extended to the territory by July 1, 2008. However, it appears that there are no school age children residing in the territory at this time.

The Ketchikan Gateway Borough previously solicited the views of the SISD via its Superintendent with respect to annexation of the entire model territory including Hyder. In response, Borough received a resolution approved by the Southeast Island School District Board of Education on April 28th, 2005, opposing the proposed annexation. In general, the SISD opposed the annexation proposal based upon SISD's experience and success with respect to serving children in the annexed territory and the noted opposition of Hyder and Meyer's Chuck residents to the proposed annexation.⁴ In the interim, the Borough revised its plans to phase Hyder in at a later date. In response, the SISD opposed the exclusion of Hyder based upon lost revenue to SISD that is needed to educate children in Hyder.⁵ As a result, it is not clear if the SISD would support the expansion of the Ketchikan Gateway Borough under any circumstances that would diminish the SISD's revenues or its role as the educational service provider in the area proposed for annexation.

With respect to the transfer of services and equipment, the SISD indicated that it is not currently providing services in the area proposed for annexation (apparently there are no children living in the area who are requesting services) and there are no facilities or equipment that would need to be transferred to the Ketchikan Gateway Borough.⁶

The Ketchikan Gateway Borough School District (KGBSD) has indicated that due to an absence of students requesting services in the area proposed for annexation, that the annexation would be fiscally

³ Source: October 5, 2005 correspondence between Judith Anglin, Library Director and Roy Eckert, Borough Manager.

⁴ Source: Resolution 042805, SISD, April 28th, 2005

⁵ Source: August 29, 2005 e-mail correspondence from Jim Nygaard, SISD Superintendent to Roy Eckert, Ketchikan Borough Manager.

⁶ Ibid.

neutral on the KGBSD. The KGBSD also noted that should students within the territory request services, that it would provide correspondence education to them consistent with its current practice of service to students in remote areas.⁷

A practical plan for the transfer and integration of all relevant and appropriate assets and liabilities of an existing borough, city, unorganized borough service area, and other entity located in the area proposed for annexation. As required by 3 AAC 110.900, the plan for transfer and integration of all relevant and appropriate assets and liabilities has been prepared in consultation with the officials of each existing borough, city, and unorganized borough service area wholly or partially included in the area proposed for annexation. The plan has also been designed to affect an orderly, efficient, and economical transfer within the shortest practicable time, not to exceed two years after annexation. The plan specifically addresses procedures that ensure that the transfer and integration occur without loss of value in assets, loss of credit reputation, or a reduced bond rating for liabilities.

As described above, the Borough consulted with the SISD regarding issues related to the possible transfer of assets presently managed in the annexed territory. According to their comments, the SISD does not own any equipment, materials, or facilities outside of Hyder that would require transfer.

It is expected that any and all other assets and liabilities currently owned or managed by the community of Meyers Chuck will remain the property and be managed by the community, unless the community desires to form a Service Area of the Ketchikan Gateway Borough to own and manage such assests.

Following is a list of individuals consulted by the Borough in the development of the transition plan and notes the dates on which such consultation occurred. Moreover, this list describes any consultation that has occurred regarding the annexation proposal between the Borough and the Alaska Department of Education and Early Development (DEED) given the requirement for future consultation between the Local Boundary Commission and DEED.

<u>INDIVIDUALS AND AGENCIES CONSULTED</u>	<u>DATE CONSULTED</u>
Jim Nygaard, Southeast Island School District	April 27 th , 2005
David Taylor, Principal Planner, Ketchikan Borough	April 20 th , 2005
David Taylor, Principal Planner, Ketchikan Borough	April 11 th , 2005
Dennis Finnegan, Ketchikan Borough Assessor	April 11 th , 2005
Roy Eckert, Borough Manager	April 12 th , 2005
Mike Houts, Director of Administrative Services	April 25 th , 2005
Tim Garton, Ketchikan International Airport	April 11 th , 2005
Harriet Edwards, Ketchikan Borough Clerk	April 21 st , 2005

⁷ Source: October 7, 2005 correspondence from KGBSD Business Manager Lance Mertz to Borough Manager Roy Eckert.

Harry Martin, Superintendent, Ketchikan School District	April 28 th , 2005
Harry Martin, Superintendent, Ketchikan School District	March 29 th , 2005
Scott Brandt-Erichsen, Ketchikan Borough Attorney	April 11 th , 2005
Wendy Mackie, Ketchikan Recreation Department	April 11 th , 2005
Eugene Martin, Ketchikan Borough Animal Protection	March 23 rd , 2005
Jim Nygard, Southeast Island School District	August 23, 2005
Mike Houts, Director of Administrative Services	August 23, 2005
Dennis Finnegan, Ketchikan Borough Assessor	August 26, 2005
Harry Martin, Superintendent, Ketchikan School District	September 1, 2005
Judith Anglin, Library Director, City of Ketchikan	September 30, 2005

EXHIBIT F
COMPOSITION AND APPORTIONMENT OF THE ASSEMBLY

This Exhibit presents information about the current composition and apportionment of the Borough Assembly. It also describes any change to the composition and apportionment of the Borough Assembly contemplated following annexation.

The Ketchikan Gateway Borough Assembly includes a Mayor and seven members elected at-large. The current elected officials are:

<u>Assembly Member</u>	<u>Term Expires</u>
Joe Williams, Mayor	October 2008
David Kiffer	October 2006
David Landis	October 2008
George Lybrand	October 2006
Mike Painter	October 2007
Maggie Sarber	October 2008
Glen Thompson	October 2007
John Harrington	October 2008

EXHIBIT G FEDERAL VOTING RIGHTS ACT INFORMATION

This Exhibit provides information regarding any effects of the proposed annexation upon civil and political rights for purposes of the Federal Voting Rights Act. This information includes the following:

The purpose and effect of annexation as it pertains to voting.

The Federal Voting Rights Act was adopted in 1965 to enforce the provision in the U.S. Constitution that “the rights of citizens of the United States to vote shall not be denied or abridged by the United States or by any state on account of race, color, or previous condition of servitude.”

The act provides that “no voting qualification or prerequisite to voting or standard, practice or procedure shall be imposed or applied by any State or political subdivision in a manner which results in a denial or abridgement of the right of any citizen of the United States to vote on account of race or color, . . . (or because a citizen) is a member of a language minority group.”

Section 5 of the Act requires certain states and political subdivision to “preclear” any change in voting practice or procedure before the change is implemented. The State of Alaska and all political subdivisions in Alaska are among those required to preclear changes in voting practice and procedure.

Regulations adopted by the U.S. Department of Justice (28 CFR §51.61) provide that:

Annexations, even of uninhabited land, are subject to Section 5 pre-clearance... In analyzing annexations under Section 5, the Attorney General only considers the purpose and effect of the annexation as it pertains to voting.

In making determinations with respect to annexations, the U.S. Attorney General, in addition to the factors described above, will consider the following factors (among others):

- (1) The extent to which a jurisdiction’s annexations reflect the purpose or have the effect of excluding minorities while including other similarly situated persons.
- (2) The extent to which the annexations reduce a jurisdiction’s minority population percentage, either at the time of the submission or, in view of the intended use, for the reasonably foreseeable future.
- (3) Whether the electoral system to be used in the jurisdiction fails fairly to reflect minority voting strength as it exists in the post-annexation jurisdiction.

The Ketchikan Gateway Borough incorporated in 1963, four years after approval of statehood. In April, 2002, the Alaska Redistricting Board approved a reconfiguration of House Election District 5 and removed Hyder from Election District 1. This change was consistent with the U.S. Voting Rights Act.¹ In addition, the Ketchikan Charter Commission is currently preparing a petition for LBC review that would consolidate the governments of the Ketchikan Gateway Borough and the City of Ketchikan. Consolidation will require local voter review and approval at a date yet to be determined.

Minorities and others will gain important local voting rights upon annexation of the territory in question. These consist of 1) the right to participate in all regular and special Borough elections; 2) the right to nominate and elect seven Assembly members and the Mayor; 3) the right to hold office as Assembly member or Mayor; and 4) the powers of initiative and referendum.

The extent to which the annexation excludes minorities while including other similarly situated persons.

All persons residing in the area proposed for annexation are situated the same with respect to acquiring the right to vote. There are no voting districts in the Ketchikan Gateway Borough (that is, all Assembly members are elected at-large) Borough Code Section 5.31.012. There are no service districts which will be impacted by the annexation. This means that there is no possible dilution of voting strength for any minority or language group. The only effect of the annexation is that a number of persons in the outlying areas will acquire the right to vote in local elections, which they do not presently enjoy, and otherwise participate in Borough political life.

The extent to which annexation reduces the Borough's minority population percentage.

The following table, based on 2000 census data², shows the racial composition of the population within the current boundaries of the Borough and within the area proposed for annexation:

¹ Proclamation of Redistricting, April 25, 2002, Vicki Otte, Chairperson, Alaska Redistricting Board.

² Census 2000 – Research and Analysis – Alaska Department of Labor, March 6, 2005.

Race	Existing Borough	Area Proposed for Annexation (Census Tract 3) ³
White	10,460 (.743%)	123 (95.3%)
African American	70 (.005%)	n/a ⁴
American Indian	2,109 (.150%)	n/a
Asian	603 (.043%)	n/a
Pacific Islander	22 (.002%)	n/a
Other	62 (.004%)	n/a
Two or more races	744 (.053%)	n/a
Total Population	14,070 (100%)	129 (100%)

State estimates in 2004 suggest that there may be 11 people living in remote cabins or lodges, 14 residents in Meyers Chuck. In addition, census data estimates 83 residents in Hyder. There is only limited data on the racial mixture of these populations (more than 100 white). Assuming a total population of 13,030 (according to 2004 estimates), the population of the area proposed for annexation represents less than 0.0019% (approximately two-tenths of one percent) of the proposed new Borough. No impact on the racial composition of the Borough is anticipated as a result of annexation.

Whether the electoral system of the Borough fails fairly to reflect minority-voting strength.

All Borough elections officials are elected at-large. The new voters resulting from annexation will not be assigned to any voting district and there is no possibility that minority voting strength will be diluted as a result of the proposed action.

Participation by minorities in the development of the annexation proposal.

The population of the current Borough is a multi-racial community. Minority (and particularly Native) interests are represented by a number of active advocacy groups. EXHIBIT D – Information Relating to Public Notice and Service of the Petition, demonstrates the breadth of community outreach and awareness of the annexation project by a number of organizations. In addition, the Public Hearing Notice was widely distributed in local and regional media and to organizations representing minority (Native) interests.

³ Note that Census Tract No. 3 (see Map Figure No. 3, Exhibit H, page 55) includes the community of Hyder (not proposed for annexation at this time) and the community of Meyers Chuck. Hyder has 97 people listed in the 2000 census with 93 listed as white and 4 as two or more races. Meyers Chuck for the same time period listed a total population of 21 with 19 white and 2 individuals claiming two or more races. The remaining 11 individuals are believed to be residing in remote locations elsewhere within the census tract and no racial data is available.

⁴ The population summary threshold on Summary File 2 is 100. The data selected is not available because the racial data is less than the threshold.

Designation of an Alaska Native for U.S. Department of Justice contact regarding the proposed annexation.

The petitioner suggests that the two Indian Reorganization Act (IRA) Traditional Councils within the Borough would be the best contacts for this purpose. There are no other IRA Councils in the area to be annexed. The two IRA Councils in Ketchikan are:

Executive Officer
Ketchikan IRA
429 Deermount Street
Ketchikan, AK 99901
(907) 225-5158

Executive Officer
Saxman IRA
Route 2, Box 1
Ketchikan, AK 99901
(907) 247-2502

Statement concerning the understanding of English in written and spoken forms among minority residents of the Borough and the area proposed for annexation.

The Borough believes that with few, if any, exceptions, minority residents of the territory proposed for annexation understand English in both written and oral forms. Consequently, there does not appear to be a need for oral or written language translators at any hearings of the Local Boundary Commission concerning this matter. However, should the need arise for the use of translators during the hearing(s) on this annexation petition; the petitioner will rely on residents of the community to provide such translation. The petitioner understands that this is the common practice in all municipal annexation proceedings in the State of Alaska.

EXHIBIT H SUPPORTING BRIEF

This Exhibit consists of a supporting brief that provides a detailed explanation of how the proposed annexation satisfies each constitutional, statutory, and regulatory standard that is relevant to the proposed annexation. The brief demonstrates with detailed facts and analysis that:

- A. The proposed annexation will result in a borough that embraces an area and population with common interests to the maximum degree possible in accordance with Article X, Section 3 of the Constitution of the State of Alaska.

Ketchikan's ideal borough boundaries were first defined in 1963 by the Alaska legislature under the Mandatory Borough Act and recognized by the Local Boundary Commission during Borough incorporation that same year. There is a presumption supported by State policy that these boundaries later adopted as Model Boundaries in 1992 indisputably embrace a region with common interests in southern southeast Alaska.¹

In its 1999 Statement of Decision regarding the Borough's previous annexation petition (which excluded Hyder and Meyers Chuck), the LBC concluded that "Given the extreme diversity of the unorganized borough, coupled with the social, cultural, economic, geographic, transportation, and other ties between the Borough and the area proposed for annexation, the territory unquestionably has stronger ties to the Borough than it does to the rest of the unorganized borough."² The LBC went on to say that "While annexation would better satisfy the constitutional mandate for the Borough's boundaries to encompass maximum common interests than is the case currently, the constitution calls for boundaries to embrace an area of common interests 'to the maximum degree' possible. Without Meyers Chuck and Hyder, this standard cannot be met."³

With the exception of approximately 205 square miles of public and private land surrounding and including the community Hyder, the territory proposed for annexation includes that area wholly contained within the model boundaries

¹ Note that one explicit purpose of the Model Borough Boundary Act was to sort out the diverse interests of the unorganized borough in a manner that would aid the LBC during review of Borough annexation and incorporation proposals throughout the state. Source: Model Borough Boundary Report, State of Alaska Department of Community and Economic Development, Revised 1997, pages 1-4.

² State of Alaska Local Boundary Commission Statement of Decision in the matter of the February 28, 1998 petition of the Ketchikan Gateway Borough for annexation of 5,524 square miles, April 16th, 1999, page 11.

³ Ibid. page 11.

approved by the State of Alaska in the 1991 Model Boundary Report (revised 1997) (See Exhibit C, for maps showing the existing boundaries of the Borough and the boundaries of the area proposed for annexation and a detailed map of the proposed area for exclusion). The exclusion of this area around Hyder is addressed more thoroughly in Exhibit K. The petition also excludes Metlakatla and the Annette Island Indian Reservation, which was previously excluded from the Ketchikan Model Borough Boundaries by the Local Boundary Commission in 1992.

In addition to coinciding in large part with the State's model boundaries, the proposed territory to be annexed coincides with other recognized social and economic boundaries. As shown on Map Figure 2, the proposed boundaries of the expanded Borough would virtually match those of the Ketchikan/Misty Fjords Ranger District. The existing Borough boundary bisects the Misty Fjords National Monument to the east and the northern boundary of the Ranger District follows a natural watershed boundary on the Cleveland Peninsula which separates the Ketchikan Ranger District from the Wrangell Ranger District to the north. The Borough's economic interest in present activities and those likely to occur in the Ranger District are discussed later in Section B to this Exhibit.

The proposed annexation boundaries also closely follow State census tract boundaries. Census tract No. 3, as shown on Map Figure 3, includes collection of demographic data within the current model boundary of the Borough and the area proposed for annexation.

Alaska Department of Fish and Game (ADF&G) boundaries also roughly coincide with the existing model boundaries of the area proposed for annexation as shown on Map Figure 4. According to ADF&G data, Game Management Unit 1A is used primarily by Ketchikan residents. For example, 81% of the 523 hunters engaged in deer hunting in Unit 1A listed Ketchikan as their community of residence.⁴ In addition, according ADF&G commercial fisheries data, 94% of subsistence salmon and personal use permits (218 total) issued within the area proposed for annexation (principally Yes Bay) were issued to residents of the existing Borough.

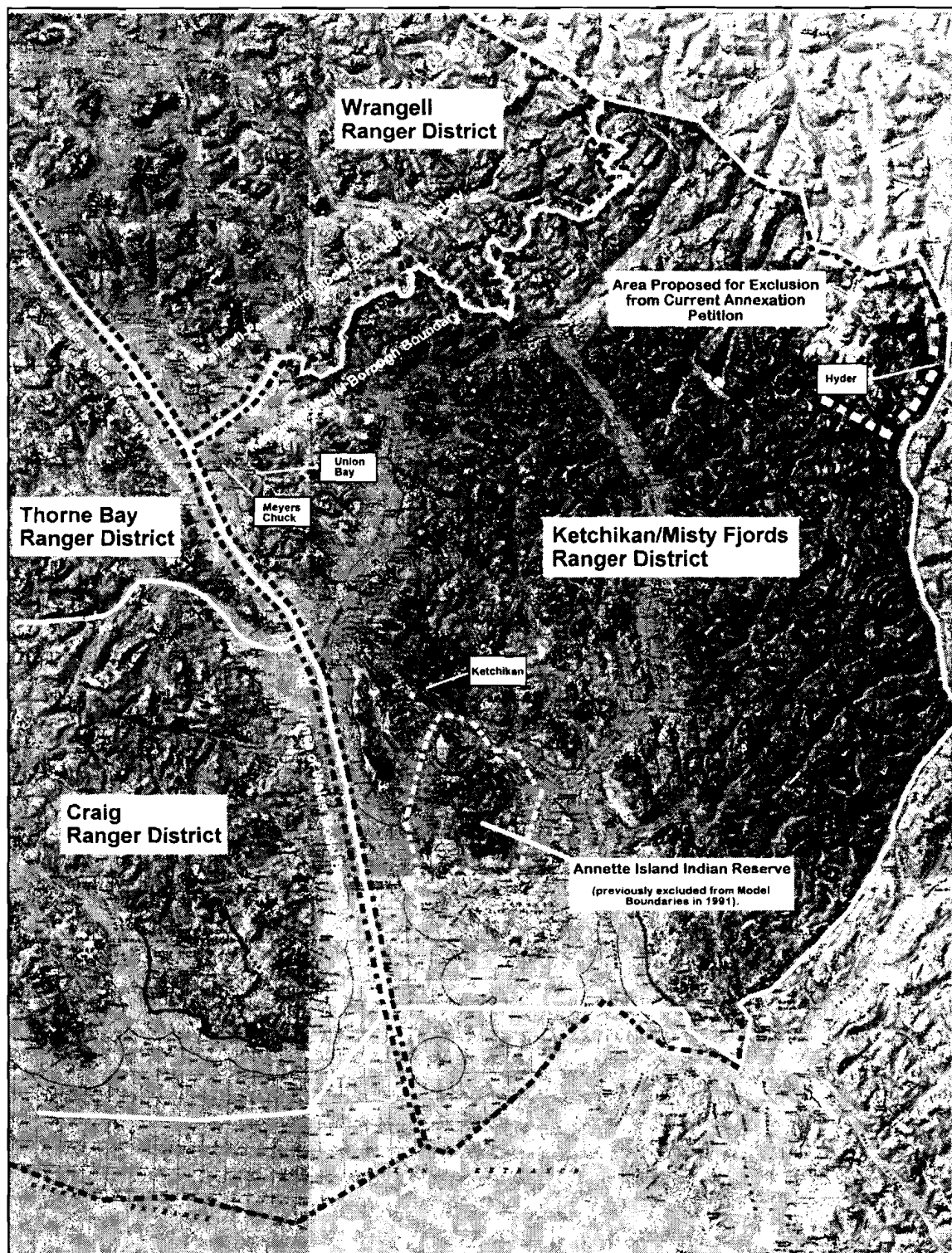
The Patient Service Area of Ketchikan General Hospital includes all of the area proposed for annexation including Prince of Wales Island and Metlakata. In addition, the proposed expanded boundaries are contained wholly within the Ketchikan Recording District (see Map Figure 5).

The proposed Borough boundaries are contained wholly within Alaska Senate District A boundaries. However, since the LBC 1999 Statement of Decision regarding Ketchikan's prior petition, the boundaries for Alaska House District 1 were amended to remove Hyder from Ketchikan House District 1 and place the

⁴ ADF&G 2003 Southeast Deer Survey, Estimated Totals for GMU by Community of Residence, page 11.

community in a serpentine House District 5-C which runs all the way through southeast to south-central Alaska (see Map Figure 6). Hyder residents point out this discrepancy as one example of why it is not practical to include Hyder in the current annexation petition. The Petitioner supports the concept that, in the event of future annexation, it would be ideal to include Hyder in the same House District as Ketchikan consistent with historic boundaries. Note that House District 1 also includes parts of Prince of Wales Island, including the community of Thorne Bay.

Conclusion: The boundaries of the Ketchikan area, defined by the Alaska legislature under the Mandatory Borough Act of 1963, embraces, to varying degrees, a region with existing common social, cultural, economic, geographic, and transportation interests. During the intervening years, a number of inter-dependent administrative and political boundaries have logically grown around these defined model boundaries to manage a variety of public and private interests common to the region. When considered as a whole, these boundaries collectively underscore and demonstrate the ideal common local government interests of the Ketchikan Gateway Borough in the area proposed for annexation.



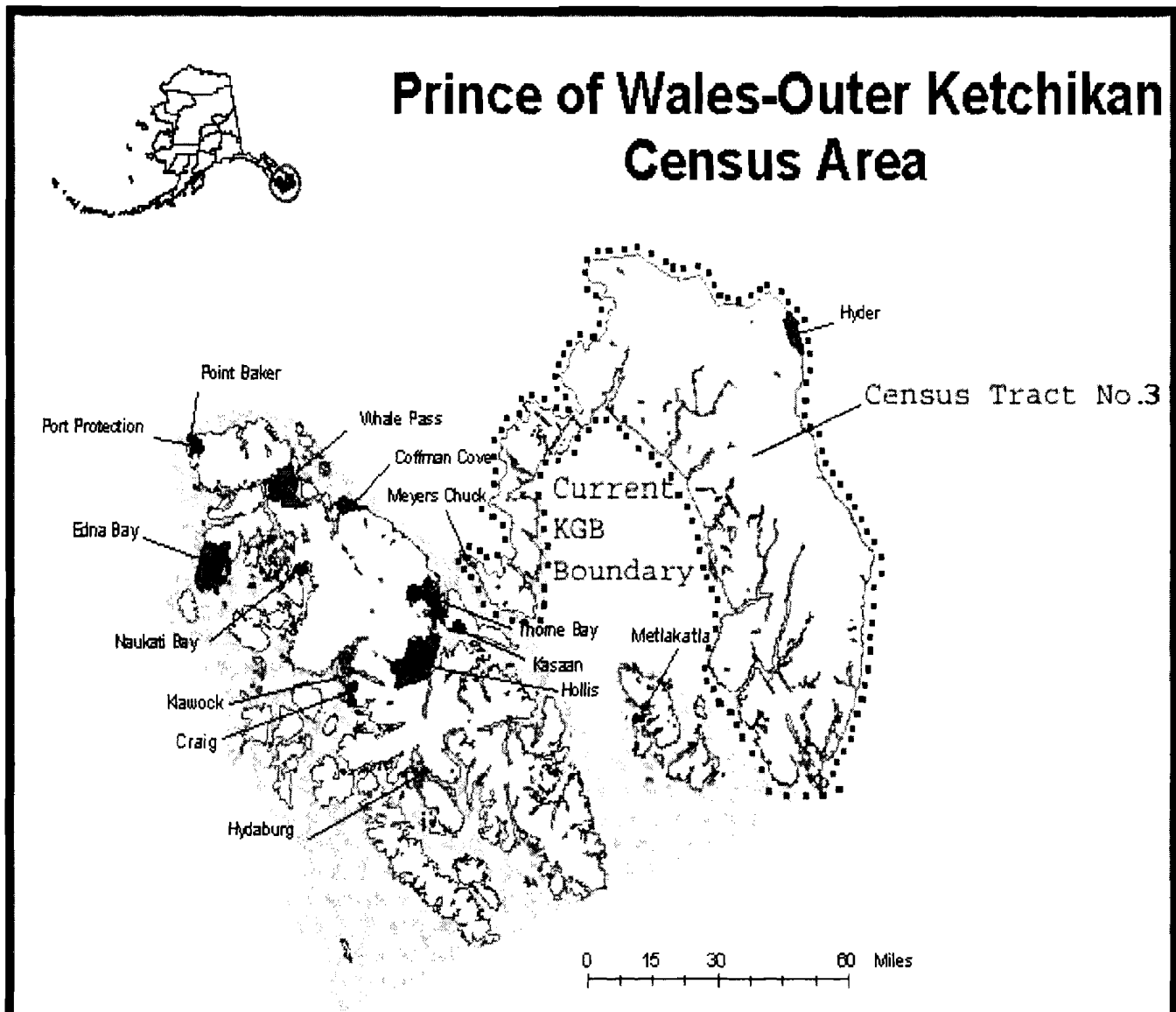
Map Figure 2.

**Forest Service Ranger District Boundaries &
Model Borough Boundaries in
Southern Southeast Alaska**

USFS Ranger District Boundaries

----- Model Borough Boundaries

North: ↑
Scale: n.t.s.

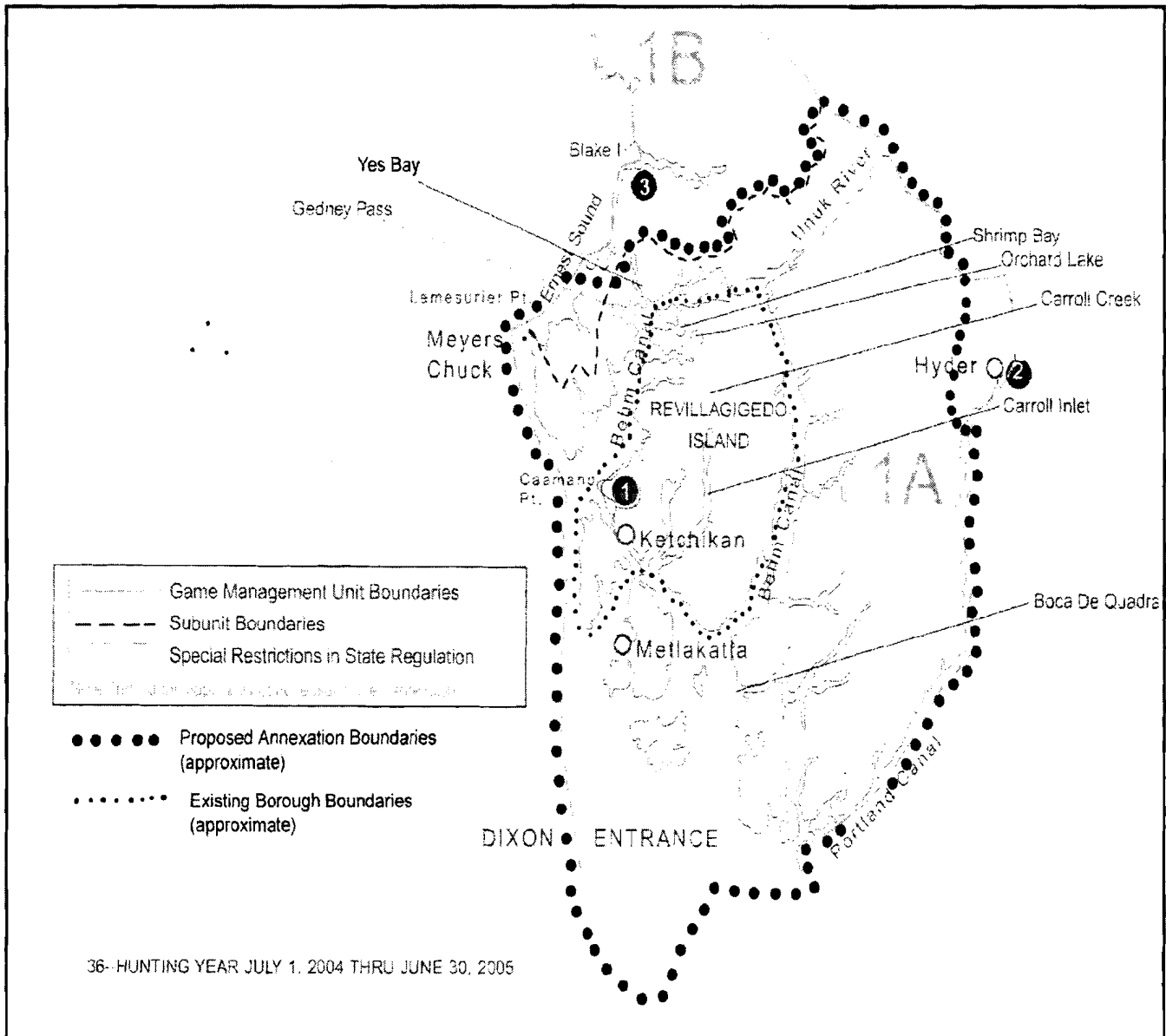


Source: Alaska Department of Labor And Workforce Development, Research and Analysis and US Census Bureau, 2000 Tigerline files.

Map Figure 3.

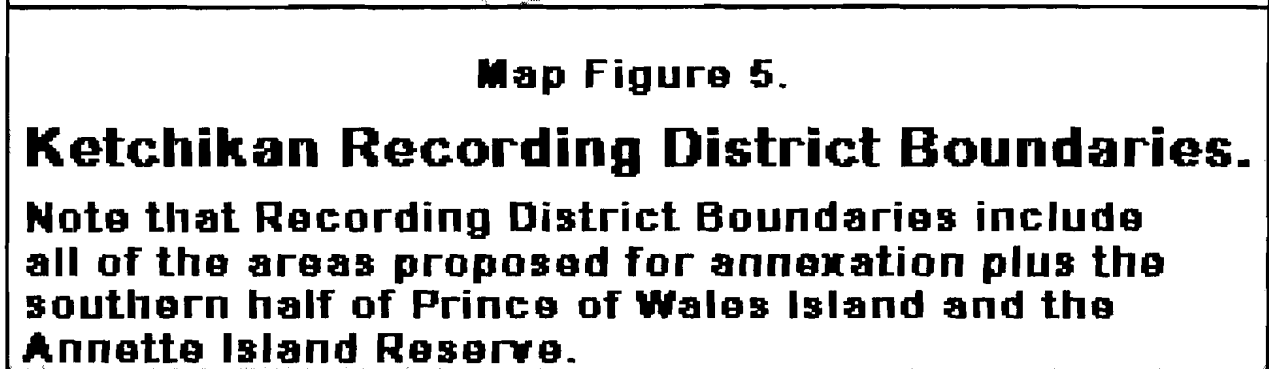
Outer Ketchikan Census Area, Tract No.3 Boundaries.

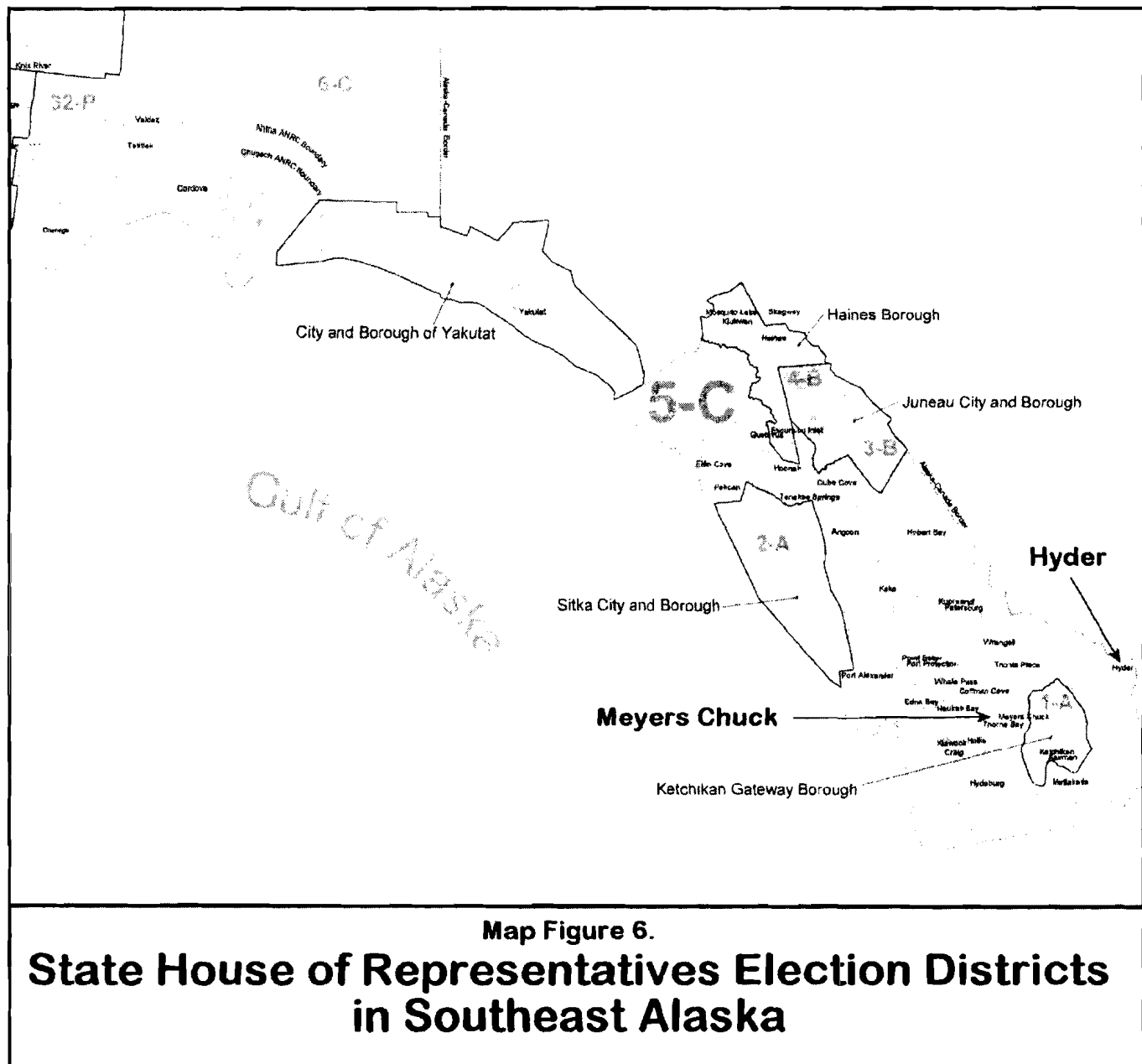
Note that the area contained within Tract No. 3 is similar to the extent of the existing Ketchikan Model Boundaries.



Map Figure 4.

Alaska Dept. of Fish and Game, Game Management Unit Boundary 1A compared to existing and proposed Ketchikan Gateway Borough Boundaries.





- B. Based on relevant factors listed in 3 AAC 110.160(a), plus other relevant factors, the social, cultural, and economic characteristics and activities of the people in the area proposed for annexation are interrelated and integrated with the characteristics and activities of the people in the Borough.

The social, cultural, and economic characteristics and activities of the people in the area proposed for annexation are interrelated and integrated with the characteristics and activities of the people in the Borough by land ownership, land use, anticipated development and service needs, existing and future communication and transportation patterns consistent with the factors listed in 3 AAC 110.160(a). Previous LBC administrative and State Supreme Court judicial decisions support the Borough's plan to develop a system of regional local government in both the urban and rural parts of southern southeast Alaska in a planned approach consistent with this annexation petition. In its 1999 Statement of Decision regarding the Borough's previous annexation petition (which excluded Hyder and Meyers Chuck), the LBC concluded that "there appears to be compatibility between the residents of the Borough and the residents of the territory proposed for annexation even though most Borough residents live a somewhat urban lifestyle while the territory proposed for annexation is rural."⁵

Previous judicial direction on the degree to which these urban/rural connections are relevant to borough formation and annexations has been provided by the Alaska Supreme Court. According to the LBC Preliminary Report on Ketchikan's previous petition application, it noted that: "In 1974, the Alaska Supreme Court ruled that our constitution encourages the extension of organized borough government. The court also noted that boroughs were intended to be regional governments that include lands for which there was no particular need for municipal government. Specifically the court stated:

Aside from the standards for incorporation in AS 07.10.030, there are no limitations in Alaska law on the organization of borough governments. Our constitution encourages their creation. Alaska Constitution Article X, Section 1. And boroughs are not restricted to the form and function of municipalities. They are meant to provide local government for regions as well as localities and encompass lands with no present municipal use. (emphasis added) Mobil Oil v. Local Boundary Commission, 518, P.2d 92, 101 (Alaska 1974)⁶

⁵ State of Alaska Local Boundary Commission Statement of Decision in the matter of the February 28, 1998 petition of the Ketchikan Gateway Borough for annexation of 5,524 square miles, April 16th, 1999, page 9.

⁶ Preliminary Report of the Department of Community and Regional Affairs to the Local Boundary Commission Regarding the Ketchikan Gateway Borough's Petition to Annex Approximately 5,524 Square Miles, October 1998. Page 12.

The petitioner concurs with the LBC's 1999 Statement of Decision. While the majority of residents within the Ketchikan Gateway Borough live a somewhat urban lifestyle, there currently exist residential communities such as Loring and Moser Bay, as well as rural cabin sites within Clover Pass and George Inlet, which all exhibit the rural lifestyles similar to residents of the territory proposed for annexation.

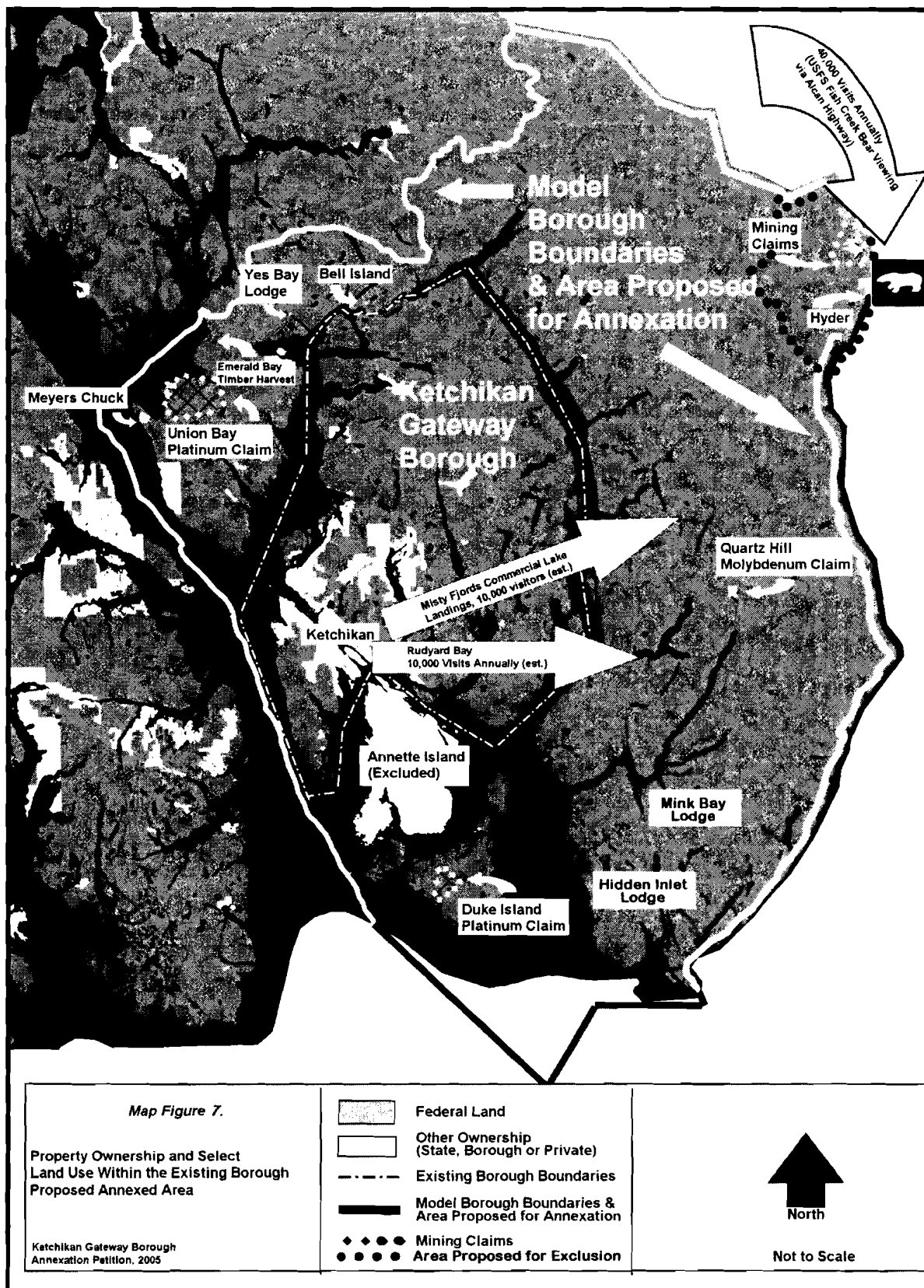
Also similar to existing rural and remote residents of the Ketchikan Gateway Borough, residents of the territory proposed for annexation rely on Ketchikan for social, cultural, and economic activities. Residents living within the area proposed for annexation utilize Ketchikan as the transportation hub for travel in and out of the region, depend on Ketchikan for primary goods and services and rely on Ketchikan for routine and critical medical care. Many of the homes within the territory proposed for annexation are actually owned by residents of Ketchikan as second homes or recreational cabins.

As the territory proposed for annexation develops, its ties to Ketchikan and the existing Borough will strengthen further. For example, Federal land, as represented by the Tongass National Forest and Misty Fjords National Monument and managed by the United States Forest Service (USFS), comprises the vast majority of land in the area proposed for annexation. This Federal land supports a multitude of uses and leases consistent with the agency's mandate including timber harvest, mining, and the ever increasing commercial tourism market. In almost all cases, Ketchikan will play a key role in providing support to these activities while also helping to guarantee that these activities provide a maximum of benefits to community residents.

During the next ten years, the USFS has planned a timber harvest in the area proposed for annexation near Emerald Bay on the Cleveland Peninsula (See Map Figure 7). This harvest, like all National Forest activities within the area proposed for annexation, will be administered by the Ketchikan Ranger District office located in Ketchikan and be supported by goods and services provided by Ketchikan's economy.

The USFS also administers a number of use permits for other commercial uses of the National Forest within the annexed area. The majority of these permits are for commercial tourism uses that have facilities based in Ketchikan (See Map Figure 7). For example, the USFS documents that approximately 10,000 people fly into and land on lakes within Misty Fjords National Monument each year.⁷ It is

⁷ Source: USFS, March 11, 2005



estimated that there are perhaps four times this many visitors (up to 40,000 people) who fly into the National Monument for general flight seeing or saltwater landings. Nearly all of these flights originate in Ketchikan.

In addition to forest related activities, the territory proposed for annexation contains mineral deposits that, when developed, will directly impact Ketchikan. Presently, there are three principal areas that will likely see large-scale commercial mining development in the future (*See Map Figure 7*). The largest of these potential mines is located at Union Bay on the north-side of the Cleveland Peninsula which includes a camp supporting active and on-going exploration in the area. Other areas include Duke Island and Quartz Hill (located within Misty Fjords). Exploration alone on these claims generates substantial local sales and revenue to the Ketchikan economy.

For example, recent exploration on Duke Island generated \$911,299 in local Ketchikan sales, mostly for transportation services. 2005 exploration expenditures are estimated to be \$260,175.⁸ Wholesale development at any of these sites, although at least 15-20 years in the future, could pose significant planning considerations within the Ketchikan community in terms of land use, housing, transportation, employment, and other important items of community interest. Given the proximity of Meyers Chuck to Union Bay, the potential impacts that development of the mine could pose to the community, and the likelihood that Ketchikan would be the primary service provider to the mine, it is sensible to include both Meyers Chuck and Union Bay within the same regional Ketchikan Gateway Borough government for the purposes of land use planning and administration.

The State of Alaska also leases land, or will likely develop land, for a variety of commercial, recreational and transportation uses that are logically integrated into the Borough's cultural, social, and economic sphere of interest. One of its largest commercial permits is for a dock facility in Misty Fjords (*See Map Figure 7*). The facility accommodates approximately 10,000 visitors a year who travel there from Ketchikan via float plan and/or boat⁹. In addition, there are an estimated 10,000 annual commercial lake landings and uncounted recreational lake landings in Misty Fjords National Monument, the overwhelming majority of which originate in Ketchikan.

⁸ Source: Avalon Development Corporation, Primary Geologic Consultant, presentation April 14, 2005, Alaska Discovery Center.

⁹ Source: Department of Natural Resources, March 30, 2005

- C. Based on relevant factors listed in 3 AAC 110.160(b), plus other relevant factors, the communications media and the land, water, and air transportation facilities throughout the proposed expanded Borough boundaries allow for the level of communications and exchange necessary to develop an integrated borough government.

In its 1999 Statement of Decision regarding the Borough's previous annexation petition (which excluded Hyder and Meyers Chuck), the LBC concluded that "the communication and exchange standard set out in AAC 10.160(b) is satisfied, albeit minimally. The exclusion of Hyder and Meyers Chuck from the annexation proposal significantly diminishes the extent to which this standard is met."¹⁰ (emphasis added). The current Petition strengthens the previous LBC's determination by including Meyers Chuck. Hyder, however, will continue to be excluded and will be phased into the Ketchikan Gateway Borough at a later date as justified in Exhibit K.

Ketchikan's present role as a regional service center is underscored by existing communications media and transportation facilities provided within and beyond the boundaries of the area proposed for annexation. While the actual provision of these facilities and services is typical of a rural region, they collectively allow for the level of communications and exchange necessary to develop an integrated borough government.

Ketchikan's daily paper has a weekly circulation of 3,600 and a weekend circulation of 4,200.¹¹ Also published in Ketchikan is a weekly shopper and neighborhood magazine with a distribution of 4,800 copies.¹² Both of the print media described above regularly carry real estate ads for property sales throughout the existing Borough and the territory proposed for annexation.

All of Ketchikan's radio stations service the Southeast Alaska region to varying degrees. It is reported that Meyers Chuck reliably receives radio signals from Ketchikan which carry news and other items of local and regional interest. In addition, there is a local web-site in Ketchikan that provides news, public forums, information and advertising services throughout the region.

The territory proposed for annexation is part of the region's air transportation system based in Ketchikan. The Ketchikan International Airport is located in Ketchikan and provides travel to destinations outside of the region. Float plane companies based out of Ketchikan provide air transportation from Ketchikan to

¹⁰ State of Alaska Local Boundary Commission Statement of Decision in the matter of the February 28, 1998 petition of the Ketchikan Gateway Borough for annexation of 5,524 square miles, April 16th, 1999, page 5.

¹¹ Source: Ketchikan Daily News, March 7, 2005.

¹² Source: The Local Paper, March 7, 2005

the remote areas of the existing Borough, as well as to the territory to be annexed. Combined air carrier statistics to Meyers Chuck for 2004 (approximately 40 air miles distant) indicate 210 regularly scheduled passenger trips, 3,648 pounds of freight, and 13,609 pounds of mail out-bound and 88 trips, 335 pounds of freight, and 221 pounds of mail in-bound to Ketchikan¹³. The disparity between outbound and in-bound passenger trips to Meyers Chuck most likely results from the use of personal watercraft for at least one of the trip legs between Ketchikan and Meyers Chuck.

Vehicle and passenger service in the region is provided by the Inter-Island Ferry Authority (IFA) and the Alaska Marine Highway System (AMHS). Although the IFA does not provide service to destinations within the area proposed for annexation, it did provide 56,750 passenger trips and shuttled 15,120 vehicles between Ketchikan and Prince of Wales Island in 2004¹⁴.

In conclusion, the level of transportation and communication facilities and services based in Ketchikan underscore the community's role as a regional service provider in throughout southern southeast Alaska. These facilities and services collectively allow for the level of communications and exchange necessary to develop an integrated borough government within the area proposed for annexation.

- D. Based on relevant factors listed in 3 AAC 110.170, plus other relevant factors, the population of the proposed expanded Borough is sufficiently large and stable to support the resulting expanded Borough.

The population of the Borough is sufficiently large and is stable enough to support the resulting expanded Borough. Between 1970 and 1990, the population of the Ketchikan Gateway Borough steadily increased from 10,041 to 13,828, representing an approximate 1.9% annual increase. Between 1990 and 1997, the population of Ketchikan continued to grow to a level of 14,070, but due to closure of the community's largest private employer, Ketchikan Pulp Company, the population decreased to its current 2004 level of 13,030. With strengthening of several economic sectors including tourism, ship repair and State Government, the population of Ketchikan is currently stable and will likely experience growth in the upcoming years.

In its 1999 Statement of Decision regarding the Borough's previous annexation petition (which excluded Hyder and Meyers Chuck), the LBC concluded that "...the combined population of the Borough and areas proposed for annexation is large enough and stable enough to support borough government in those

¹³ Source: ProMech Air and Pacific Airways, March 8, 2005 and Federal Dept. of Transportation Bureau of Transportation Statistics website www.bts.gov, March 7, 2005.

¹⁴ Inter-Island Ferry Authority, March 8, 2005

areas.”¹⁵ The LBC analysis noted that the proposed Ketchikan Gateway Borough ranked sixth in the State in population size among the State’s sixteen organized boroughs and that the 1997 population of the proposed Borough was eighty-three percent greater than the median figure for all organized boroughs in Alaska.

- E. Based on relevant factors listed in 3 AAC 110.180, plus other relevant factors, the economy within the proposed expanded boundaries of the Borough includes the human and financial resources necessary to provide, on an efficient, cost-effective level, services determined to be essential borough services under 3 AAC 110.970.

This standard requires that the Borough demonstrate in general and specific terms that it has the human and financial resources to provide services throughout the expanded Borough. This analysis includes not only the size and stability of the population, proposed service functions, new expenses, and land use previously addressed in other sections, but other factors such as resident income, new revenues, labor force characteristics, economic base analysis, among other criteria addressed below.

The State-calculated 2004 full and true value of taxable property in the Borough, was \$1,117,297,100 or \$82,561 per resident, which ranks Ketchikan 9th out of the State’s 16 boroughs.¹⁶ The figure for the Ketchikan Gateway Borough is nearly identical to that of the Municipality of Anchorage, the next highest ranked Borough with a per capita figure of \$82,500. This figure represents the median of all boroughs. Excluding the North Slope Borough figures,¹⁷ which tends to skew analysis, the Borough’s per capita value of \$82,561 per resident is slightly above the remaining State mean of \$82,257. Ketchikan also ranked in the middle of 2004 per capita municipal general obligation debt of all boroughs in the State. The Borough’s \$1,996 per capita figure was well below the State average of \$3,074 (which also excludes figures from the North Slope Borough).¹⁸

As shown in *Table Figure 8*, Ketchikan ranked tenth among the State’s 16 boroughs in terms of average monthly wages during 2003.¹⁹ Note that the average employment includes the number of jobs and not the number of

¹⁵ State of Alaska Local Boundary Commission Statement of Decision in the matter of the February 28, 1998 petition of the Ketchikan Gateway Borough for annexation of 5,524 square miles, April 16th, 1999, page 5.

¹⁶ Office of the State Assessor website, www.commerce.state.ak.us/dca/osa/assessor.htm, March 31st, 2005. Note that state full and true value figure is based upon 100% value and is therefore somewhat higher than certified Borough value of \$986,730,200 which includes local exemptions.

¹⁷ Ibid. The North Slope 2004 full value determination was \$10,624,537,620.

¹⁸ Ibid.

¹⁹ Source: Alaska Department of Labor website, www.labor.state.ak.us/, April 6, 2005

employees during the time period. In addition, the table does not reflect employment numbers for self-employed, fishers, unpaid family help, domestic help, and most individuals engaged in agriculture.

Table Figure8.

**2003 Monthly Average Wages
in Alaska by Borough**

AREANAME	POPULATION	TOTAL WAGE	AVERAGE EMPLOYMENT FOR 2003	MONTHLY AVERAGE WAGES	Annual Per Capita Wages	Annual Per Capita Wage Rank
Haines Borough	2,319	23,508,337	947	2,068	\$10,137	14
Lake and Peninsula Borough	1,627	15,899,574	636	2,084	\$9,772	15
Yakutat Borough	690	9,029,486	314	2,396	\$13,086	11
Aleutians East Borough	2,688	50,441,062	1,704	2,466	\$18,765	6
Matanuska-Susitna Borough	67,526	454,390,662	15,002	2,524	\$6,729	16
Sitka Borough	8,897	134,868,908	4,358	2,579	\$15,159	10
Ketchikan Borough	13,533	218,849,983	6,816	2,676 (10th)	\$16,172	7th
Kodiak Island Borough	13,797	169,690,463	5,240	2,699	\$12,299	12
Denali Borough	1,917	62,526,139	1,922	2,711	\$32,617	3
Kenai Peninsula Borough	51,398	587,624,210	17,772	2,755	\$11,433	13
Bristol Bay Borough	1,103	43,120,950	1,203	2,986	\$39,094	2
Fairbanks North Star Borough	82,131	1,277,210,620	35,614	2,989	\$15,551	9
Juneau Borough	31,246	632,463,600	17,464	3,018	\$20,241	5
State of Alaska	648,280	11,091,168,266	296,876	3,113	\$17,109	
Anchorage Municipality	273,602	5,559,141,695	140,395	3,300	\$20,318	4
Northwest Arctic Borough	7,293	113,946,268	2,877	3,300	\$15,624	8
North Slope Borough	7,228	597,960,451	9,122	5,463	\$82,728	1

The Borough's current 2005/2006 budget estimates revenues of \$16,000,238 and expenditures of \$16,256,034.

Based on the annexation budget discussed in Section 12, the Borough estimates that annexation would increase net revenues by between \$299,138 and \$1,235,796 during FY08/09, depending upon the amount of forest receipts and PILT payments received and increasing slightly thereafter. The amount of forest receipts generated cannot be determined with certainty since the current funding program expires beginning in FY 07 and is subject to re-appropriation by the Federal government. Annexation would also increase expenditures by approximately \$78,988 in FY07/08 then \$62,820 in FY08/09 and decreasing slightly thereafter. Expenditures are expected to decrease somewhat after the first three years during which the Borough will incur initial capitalization costs for implementing planning and assessment services in the territory.

In conclusion, an expanded Ketchikan Borough would be consistent with the service and fiscal operations of boroughs elsewhere in the State which, in many cases, have smaller populations and larger inaccessible areas than that

proposed in this petition. The area of the Borough and its relatively large population, the relative stability of the Borough's tax base, its budget projections, and the average and per capita wages of residents, on a whole demonstrate that the Borough possesses the human and financial resources necessary to provide, on an efficient, cost-effective level, services determined to be essential Borough services consistent with State requirements.

- F. Based on relevant factors listed in 3 AAC 110.190(a), plus other relevant factors, the proposed expanded boundaries of the Borough conform generally to natural geography and include all land and water necessary to provide, on an efficient, cost-effective level, the full development of services determined to be essential borough services under 3 AAC 110.970.

In its 1999 Statement of Decision regarding the Borough's previous annexation petition (which excluded Hyder and Meyers Chuck), the LBC concluded that "...the exclusion of Hyder and Meyers Chuck from the annexation proposal precludes the satisfaction of the requirement that the Borough conform generally to natural geography and include all areas necessary for full development of municipal services on an efficient, cost-effective level."²⁰ In particular, the LBC noted, among other items, that the previously proposed boundaries near Hyder followed the thread of the Salmon River and constituted the division of a natural drainage inconsistent with the Commission's interpretation of the natural geography standard.

In the present case, the Borough proposes annexation of all territory within the model boundary with the exception of an area surrounding the community of Hyder which would be phased into the expanded Borough at a later time (see Exhibit K for justification of exclusion). The model boundary largely follows natural and international political boundaries in the region. The territory's northern boundary follows the watershed boundary shared by the Ketchikan Ranger District and the Wrangell Ranger district along the Cleveland Peninsula. The eastern boundary follows the Canadian border south to the boundary separating Misty Fjords National Monument from unrestricted National Forest lands (approximately 205 square miles) surrounding Hyder. This proposed boundary is based upon long recognized boundaries which conform to natural geography (based on watersheds and glaciers). The boundary continues down the Portland Canal to Tongass Passage where it meets the Exclusive Economic Zone Limit at Dixon Entrance and the State's southern boundary. The boundary then follows a route north along the centerline of Clarence Strait to Ernest Sound just north of Meyers Chuck where it travels east to the watershed boundary on the Cleveland Peninsula and the point of beginning. These boundaries, which are nearly identical to the model boundaries defined by the State, satisfy the

²⁰ State of Alaska Local Boundary Commission Statement of Decision in the matter of the February 28, 1998 petition of the Ketchikan Gateway Borough for annexation of 5,524 square miles, April 16th, 1999, page 7.

standard contained 3 AAC 110.190(a). These boundaries are substantially the same as those defined for a Ketchikan area borough in the 1963 Mandatory Borough Act adopted by the Alaska Legislature (Chapter 52, SLA 1963), and identical to those contained within the 1992 Model Borough Boundary report (revised 1997) which were approved after substantial opportunities for public testimony and effort on the part of the State.

The proposed boundaries will enable the full development of essential services as defined in 3 AAC 110.970 within the area proposed for annexation. The LBC “may determine essential borough services to include: assessing and collecting taxes; providing primary and secondary education; planning platting, and land use regulation; and other services considered reasonably necessary to meet the borough governmental needs of the territory.”²¹

The Borough maintains that as the only organized borough in southern southeast Alaska, it is best suited to provide the local governmental services listed above in a manner and scale which addresses local residents’ needs. There is no evidence to suggest that there are similarly strong and compelling social, economic, administrative and cultural links which would place any of the proposed annexed area within any other prospective or future Wrangell, Wrangell/Petersburg, or Prince of Wales Island boroughs. The Petitioner expects that all of the territory, including Hyder, will eventually be brought into the Ketchikan Gateway Borough. All of the evidence points to the fact that the Borough is not only the principal regional service center for all of the land within its model borough boundaries but has an economic influence that extends well beyond its boundaries to other parts of the southern southeast region. As demonstrated previously in the petition, the Borough has the population, economy, and administrative means to provide these services on an efficient, cost-effective basis.

- G. The area proposed for annexation is contiguous to the existing boundaries of the Borough and would not create enclaves in the expanded boundaries of the Borough. Alternatively, under 3 AAC 110.190(b), a specific and persuasive showing is made that annexation of non-contiguous area or area that would create enclaves includes all land and water necessary to allow, on an efficient, cost-effective level, the full development of services determined to be essential borough services under 3 AAC 110.970.

As described previously in the petition, the area proposed for annexation, with the exception of the Annette Island Reserve (previously excluded in 1992) and approximately 205 square miles surrounding Hyder (proposed for exclusion in the near-term), is wholly contained within the Borough’s model boundaries and is contiguous with the existing boundaries of the borough. These model

²¹ 3 AAC 110.970 – Local Boundary Commission Regulations. Article 4 Standards for Annexation to Boroughs

boundaries, defined by the Local Boundary Commission, “reflect the application of all borough boundary standards and relevant constitutional principles to the pertinent facts in the Borough’s circumstances.”²² In this regard, these boundaries in fact include all land and water necessary to allow, on an efficient, cost-effective level, the full development of services determined to be essential borough services under 3 AAC 110.970.

The Petitioner refers the reader to the extensive analysis provided in Exhibit K of this brief regarding the history of administrative and judicial decisions which have allowed the incremental growth of local government boundaries in the context of satisfying long-term State goals of dividing the entire State into organized boroughs. The Petitioner emphasizes that Ketchikan will always be the most logical provider of local government services to the Hyder area once the community establishes stronger links (based on improved and reliable transportation) to the community of Ketchikan. In addition, the Petitioner would expect that the need for local government expansion there will also be based upon development of other municipal needs such as road maintenance, improved sewer and/or water services, or specific economic development activities. Other variables that will further support either the need or ability to pay for local government will include increased property valuation and increased household and per capita incomes. Taken together, the Petitioner argues that the exclusion of Hyder in the short-term will neither encourage nor discourage Hyder from forming an independent local government. During the normal and expected course of community development in Hyder, Ketchikan will be poised and able to assume its natural and logical role as the provider of local government services there including education, planning, and assessment and other needs that residents there might determine to be in their best interest.

- H. The area proposed for annexation is within the model boundaries of the Borough as defined by 3 AAC 110.990(9). Alternatively, under 3 AAC 110.190(c), a specific and persuasive showing is made that annexation of area beyond the model boundaries of the Borough meets the constitutional, statutory, and regulatory standards for annexation.

The Borough’s proposed annexation will include only territory within its model boundaries as defined in 3 AAC 110.990(9) meaning those boundaries set out in the Commission’s publication Model Borough Boundaries, revised as of June 1997 and adopted by reference.

- I. The proposed annexation offers an appropriate balance of all standards for borough annexation. The Borough reasonably expects this to be demonstrated following consultation by the Local Boundary Commission

²² Source: State of Alaska Local Boundary Commission Statement of Decision, April 16, 1999, page 8.

with the Alaska Department of Education and Early Development as required under 3 AAC 110.190(d).

As described elsewhere in this petition, the Borough asserts that the proposed annexation offers an appropriate balance of all constitutional, statutory, and administrative standards for annexation. The Borough expects further validation and demonstration of this position pending consultation by the Local Boundary Commission with DEED.

- J. The proposed annexation does not describe boundaries overlapping the boundaries of an existing organized borough. Alternatively, this Petition addresses and complies with the standards and procedures for detachment of the overlapping region from the existing organized borough as required by 3 AAC 110.190(e).

As described above, the area proposed for annexation is wholly contained within the Borough's model boundaries and is contiguous with the existing boundaries of the borough.

- K. Based on relevant factors listed in 3 AAC 110.195, plus other relevant factors, the proposed annexation is in the best interests of the State under AS 29.06.040(a).

Alaska Administrative Code section 3 AAC 110.195 establishes three relevant factors that the LBC considers when determining whether or not a particular annexation request serves the best interests of the State. They include whether or not the annexation proposal:

- (1) promotes maximum local self-government;
- (2) promotes a minimum number of local government units;
- (3) will relieve the State government of the responsibility of providing local services.

The Borough suggests that the State of Alaska Constitution is the chief expression of the State's best interest. Article X, Sections 1 and 3, of the Local Government Section, are particularly relevant with respect to this petition. The purpose of Section 1 "is to provide for maximum local self-government with a minimum of local government units, and to prevent duplication of tax-levying jurisdictions." Section 3 goes further to require establishment of boroughs throughout the state that "embrace an area and population with common interests to the maximum degree possible." It is these baseline criteria contained both in the constitution and administrative code, upon which the Ketchikan Gateway Borough rests its best interest finding.

The Borough's proposal will maximize local self-government in the region proposed for annexation. Residents of the territory will find the political

expression of their local community development needs and services at the local rather than at the State level. These include those services which are best provided at the local level including education, planning, assessment and other services which address uniquely local needs.

The Borough's proposal promotes a minimum number of local government units. Annexation would remove 4,701 square miles of territory currently located within Alaska's vast unorganized borough which will be contained within the expanded Borough and represented by locally elected representatives.

Finally, it is in the State's best interest to approve the annexation proposal based upon Article X, Section 3. of the State constitution. Specifically, annexation of the subject territory will remove 4,701 square miles from the State's vast 374,843 square mile²³ unorganized borough and place it within an existing borough that has the financial and administrative means to provide required and necessary services. As discussed previously in this petition, the Borough has demonstrated that the territory in question has more in common with the Ketchikan Gateway Borough than it does with Alaska's enormous unorganized borough which encompasses the majority of the State and with other prospective boroughs such as potential Wrangell, Wrangell/Petersburg, or Prince of Wales Island boroughs.

- L. The area proposed for annexation meets the annexation standards specified in 3 AAC 110.160 - 3 AAC 110.195 and at least one of the circumstances outlined in 3 AAC 110.200 (1) – (10) exists.

By way of summary, the Ketchikan Gateway Borough has demonstrated conclusively in Sections A-K of Exhibit H of this petition that the area proposed for annexation meets the State's annexation standards specified in 3 AAC 110-160 – 3 AAC 110.195 and at least one of the circumstances outlined in 3 AAC 110.200(1) – (10).

The social, cultural, and economic characteristics and activities of the people in the area proposed for annexation are interrelated and integrated with the characteristics and activities of the people in the Borough by land ownership, land use, anticipated development and service needs, existing and future communication and transportation patterns. The level of transportation and communication facilities and services based in Ketchikan underscore the community's role as a regional service provider in southern southeast Alaska. Furthermore, these facilities and services collectively allow for the level of communications and exchange necessary to develop an integrated borough government.

²³ Preliminary Report of the Department of Community and Regional Affairs to the Local Boundary Commission Regarding The Ketchikan Gateway Borough's Petition to Annex Approximately 5,524 Square Miles, October 1998.

As one of Alaska's first boroughs, the Ketchikan Gateway Borough, established in 1963, has been supporting an area largely consistent in character with the area proposed for annexation for more than forty years. The population of the Borough after annexation will be more than adequate and stable enough to support extension of borough government to the area proposed for annexation.

Given the area of the Borough and its relatively large population, the relative stability of the Borough's tax base, its budget projections, and the average and per capita wages of residents, the Ketchikan Gateway Borough possesses the human and financial resources necessary to provide, on an efficient, cost-effective level, services determined to be essential borough services consistent with State requirements.

The Borough maintains that it is able to provide the local governmental services in a manner and scale which addresses local residents' needs. In addition, the area proposed for annexation is wholly contained within the Borough's model boundaries and is contiguous with the existing boundaries of the Borough.

The Borough's proposal is in the best interests of the State as established by the constitution and administrative code. The annexation will maximize local self-government in the region through the annexation of territory within its model boundaries established by the State. Residents of the territory will find the political expression of their local community development needs and services at the local rather than at the State level. These include those services which are best provided at the local level including education, planning, assessment and other services which address uniquely local needs.

Finally, several of the circumstances outlined in 3 AAC 110.200 (1) – (10) exist and merit discussion.

It is in the State's best interest to enable the Borough to locally plan and control for reasonably anticipated growth or development in the annexed territory that otherwise may adversely impact the Borough. As described earlier in the petition, there are a number of current and likely future commercial and economic development activities that would require Borough services and consequent management. These include the possible expansion of commercial tourism in the area and the likelihood of mine development in either Union Bay or Duke Island during the next 20 to 30 years. Specifically, tens of thousands of visitors depart Ketchikan annually for destinations within the territory (mostly Misty Fjords National Monument). It should be noted that the community of Wrangell is currently preparing a petition which may propose to annex the Union Bay mining district, including the community of Meyers Chuck. As the likely primary service provider in the event of mine development, the Borough is proactively seeking to include this area within its boundaries well in advance of any active mining to allow sufficient time for planning and to minimize any negative impacts upon the community. In addition, the Borough expects that there will continue to be

private, State, and Federal land trades and disposals within the annexed territory which would merit Borough planning participation. It is also in the Borough's best interest to maximize its influence over use of Federal lands in the territory as a local government representative during the NEPA process. Other planning issues include the gradual trend towards development of second homes in the territory both by state and out-of-state residents; and development of additional resort destinations. Taken together, future activities within the territory proposed for annexation will utilize Ketchikan as a hub for services and supplies and will look to Ketchikan for assistance on planning and land use issues.

Residents of the territory receive, or may be reasonably expected to receive, directly or indirectly, the benefit of Borough government without commensurate tax contributions. Meyers Chuck residents, like all state residents, indirectly benefit from educational services provided to children. Although Meyers Chuck does not currently have any school-age children, it is reasonable to believe that this could change in the future. Annexation of the proposed territory would offset the cost of providing this state provided service through local property taxes.

The Borough's proposal will maximize local self-government in the region through the annexation of all territory within its model boundaries established by the State. Residents of the territory will find the political expression of their local community development needs and services at the local rather than at the State level. These include those critical services which are best provided at the local level including education, planning, assessment and other services which address uniquely local needs.

The Borough's proposal promotes a minimum number of local government units. Approximately 4,701 square miles of territory currently located within Alaska's vast unorganized borough will be contained within the expanded Borough and represented by locally elected representatives.

M. The proposed annexation to the Borough will not deny any person the enjoyment of any civil or political right, including voting rights, because of race, color, creed, sex, or national origin in accordance with 3 AAC 110.910.

The area proposed for annexation is largely uninhabited except for residents located in Meyers Chuck. State estimates in 2004 suggest that there may be 11 people living in remote cabins or lodges and 14 residents in Meyers Chuck. There is only limited data on the racial mixture of these populations. Assuming a total Borough population of 13,030 (according to 2004 estimates), the population of the proposed territory represents less than 0.0082% (eight-tenths of one percent) of the Borough's population. No impact on the racial composition of the Borough is anticipated as a result of annexation. There is little to suggest that the annexation would violate provisions of the Voting Rights Act or 3 AAC 110.910.

- N. The Petitioner has prepared a proper transition plan under 3 AAC 110.900.

Exhibit E of this petition contains a transition plan prepared pursuant to the requirements of 3 AAC 110.900.

- O. Other constitutional principles served by the annexation proposal, such as the equal-protection clause and the equal-responsibility clause and the equal-responsibility clause of Article I, Section 1, and the maximum local self-government clause and minimum of local government units clause of Article X, Section 1, are also addressed in the supporting brief.

Article, Section 1, of Alaska's constitution states "This constitution is dedicated to the principles that all persons have a natural right to life, liberty, the pursuit of happiness, and the enjoyment of the rewards of their own industry; that all persons are equal and entitled to equal rights, opportunities, and protection under the law; and that all persons have corresponding obligations to the people and to the State."

The Borough's proposal to annex territory contained within its model boundaries will provide local political representation to the territory's residents in the same manner as existing Borough residents. In addition, all residents within the territory will share in the fiscal obligations to support local public services in a manner identical to existing Borough residents.

The annexation proposal will advance local self-government and minimize local government units pursuant to Article X, Section of 1 of the constitution. Specifically, the petition seeks to include an area of contemporary and significant future development within the local political boundaries of the jurisdiction most likely to provide services to it. In addition, although the petition will neither increase nor decrease the number of local government units in the region, it will incorporate an area with some existing and likely future local government needs into an existing local government system with the means to provide such services.

**EXHIBIT I
AUTHORIZATION**

RESOLUTION NO. 1949

(Attached)

I hereby certify the annexed instrument is a true and correct copy of the original on file in my office.
ATTEST: *Laurett Edwards*
Clerk Ketchikan Gateway Borough

KETCHIKAN GATEWAY BOROUGH

RESOLUTION NO. 1949

A RESOLUTION OF THE BOROUGH ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA, AUTHORIZING A PROPOSAL FOR ANNEXATION TO THE KETCHIKAN GATEWAY BOROUGH.

WHEREAS, the proposed annexation will result in a borough that embraces an area and population with common interests to the maximum degree possible in accordance with Article X, Section 3 of the Constitution of the State of Alaska; and

WHEREAS, based on relevant factors listed in 3 AAC 110.160(a), plus other relevant factors, the social, cultural, and economic characteristics and activities of the people in the area proposed for annexation are interrelated and integrated with the characteristics and activities of the people in the Borough; and

WHEREAS, based on relevant factors listed in 3 AAC 110.160(b), plus other relevant factors, the communications media and the land, water, and air transportation facilities throughout the proposed expanded Borough boundaries allow for the level of communications and exchange necessary to develop an integrated borough government; and

WHEREAS, based on relevant factors listed in 3 AAC 110.170, plus other relevant factors, the population of the proposed expanded Borough is sufficiently large and stable to support the resulting expanded Borough; and

WHEREAS, based on relevant factors listed in 3 AAC 110.180, plus other relevant factors, the economy within the proposed expanded boundaries of the Borough includes the human and financial resources necessary to provide, on an efficient, cost-effective level, services determined to be essential borough services under 3 AAC 110.970; and

WHEREAS, based on relevant factors listed in 3 AAC 110.190(a), plus other relevant factors, the proposed expanded boundaries of the Borough conform generally to natural geography and include all land and water necessary to provide, on an efficient, cost-effective level, the full development of services determined to be essential borough services under 3 AAC 110.970; and

WHEREAS, the area proposed for annexation is contiguous to the existing boundaries of the Borough and would not create enclaves in the expanded boundaries of the Borough. Alternatively, under 3 AAC 110.190(b), a specific and persuasive showing is made that annexation of non-contiguous area or area that would create enclaves includes all land and water necessary to allow, on an efficient, cost-effective level, the full development of services determined to be essential borough services under 3 AAC 110.970; and

WHEREAS, the area proposed for annexation is within the model boundaries of the Borough as defined by 3 AAC 110.990(9). Alternatively, under 3 AAC 110.190(c), a specific and persuasive showing is made that annexation of area beyond the model boundaries of the Borough meets the constitutional, statutory, and regulatory standards for annexation; and

WHEREAS, the proposed annexation offers an appropriate balance of all standards for borough annexation. The Borough reasonably expects this to be demonstrated following consultation by the Local Boundary Commission with the Alaska Department of Education and Early Development as required under 3 AAC 110.190(d); and

WHEREAS, the proposed annexation does not describe boundaries overlapping the boundaries of an existing organized borough. Alternatively, the Petition will address and comply with the standards and procedures for detachment of the overlapping region from the existing organized borough as required by 3 AAC 110.190(e); and

WHEREAS, based on relevant factors listed in 3 AAC 110.195, plus other relevant factors, the proposed annexation is in the best interests of the State under AS 29.06.040 (a); and

WHEREAS, the area proposed for annexation meets the annexation standards specified in 3 AAC 110.160 – 3 AAC 110.195 and at least one of the circumstances outlined in 3 AAC 110.200 (1) – (10) exists; and

WHEREAS, the proposed annexation to the Borough will not deny any person the enjoyment of any civil or political right, including voting rights, because of race, color, creed, sex, or national origin in accordance with 3 AAC 110.910; and

WHEREAS, the Borough has prepared a proper transition plan under 3 AAC 110.900; and

WHEREAS, other constitutional principles served by the annexation proposal, such as the equal-protection clause and the equal-responsibility clause of Article I, Section 1, and the maximum local self-government clause and the minimum of local government units clause of Article X, Section 1, are also addressed in the supporting brief.

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH as follows:

Section 1. Authorization. That the Borough Manager is authorized to file a petition for annexation by legislative review with the Alaska Local Boundary Commission. The petition shall propose the annexation of the area generally described as approximately 4,701 square miles of unorganized territory with the State's defined Ketchikan Model Boundaries with the exception of approximately 205 square miles of public and private lands surrounding and including the community of Hyder. The legal boundary description of the area proposed to be annexed is attached hereto as "Exhibit A" and shown on the map attached hereto as "Exhibit B", both of which are incorporated herein by this reference.

Section 2. Petitioner's Representative. That the Borough Manager is designated as the representative of the Borough for all matters relating to the annexation proceeding.

Section 3. Terms and Conditions. That the annexation will be on the following terms and conditions listed below:

The Borough expects the effective date of annexation will begin immediately following pre-clearance under the Federal Voting Rights act which is expected by March 30th, 2007 following anticipated tacit approval by the State Legislature in March, 2007.

On July 1st, 2008, following a period of transition planning, commercial activities conducted in the territory and real property would be subject to sales and property taxes levied by the Borough. However, if there is any delay in initiation of the services described below, the imposition of taxes would be delayed until the date when services are initiated.

No later than July 1, 2008, the Borough will extend all services, to the degree required and needed, currently funded by Borough property taxes, sales, and transient occupancy taxes. These services include the following:

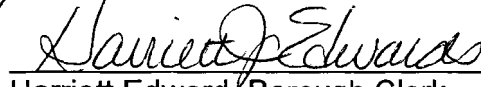
- a. Education (School budgets, location of buildings, construction and major repairs)
- b. Assessment and collection of property, sales, and transient occupancy taxes
- c. Planning (land use regulation and subdivisions)
- d. Recreation (development and maintenance of parks and recreation facilities)
- e. Library Services
- f. Economic Development Assistance (grants and loans)

Section 4. Effective Date. That this Resolution shall become effective immediately.

ADOPTED this 6th day of February, 2006.


Joe Williams, Borough Mayor

ATTEST:


Harriett Edward, Borough Clerk

Approved as to form:


Scott Brandt-Erichsen, Borough Attorney

EFFECTIVE DATE: February 6, 2006			
ROLL CALL	YES	NO	ABSENT
HARRINGTON		✓	
KIFFER	✓		
LANDIS		✓	
LYBRAND	✓		
PAINTER	✓		
SARBER	✓		
THOMPSON	✓		
MAYOR (Tie Votes Only)			
4 AFFIRMATIVE VOTES REQUIRED FOR PASSAGE			

The tax data in Section 11 of the Petition were provided by: Ketchikan Gateway Borough, Department of Assessment and Ketchikan Gateway Borough Department of Finance.

The three-year budget projections in Section 12 of the Petition were prepared by: Hill & Associates, Planning and Development Consultants, based upon information provided by the Ketchikan Gateway Borough Department of Finance.

The information in Section 13 of the Petition concerning existing long-term Borough debt was provided by: Ketchikan Gateway Borough Department of Finance.

The information in Section 14 of the Petition concerning Borough powers and functions was provided by: Ketchikan Gateway Borough Law Department and Finance Department.

The transition plan presented in Exhibit E was prepared by: Hill & Associates, Planning and Development Consultants based upon information provided by the Departments of Planning and Community Development, Public Works, Animal Protection, Finance, Law, Assessment, Parks and Recreation, Clerk, Manager, Transportation Services, the Ketchikan Gateway Borough School District, the Southeast Island School District, and the City of Ketchikan.

Information in Section 16 of the Petition concerning composition and apportionment of the Assembly was prepared by: Ketchikan Gateway Borough Clerk.

Information in Section 17 of the Petition concerning the Federal Voting Rights Act was prepared by: Hill & Associates, Planning and Development Consultants based upon information contained within the Ketchikan Gateway Borough Petition for Legislative Review Annexation, February 25th, 1998, and information provided by the United States Bureau of the Census.

The supporting brief in Exhibit H and Exhibit K of the Petition was prepared by: Hill & Associates, Planning and Development Consultants, and the Ketchikan Gateway Borough Department of Public Works.

To the best of my knowledge, information, and belief, formed after reasonable inquiry, the information in the Petition is true and accurate.

DATED this 19th day of December, 2005

Roy Eckert
Roy Eckert, Borough Manager

SUBSCRIBED AND SWORN TO before me on Dec. 19, 2005.



Kacie Paxton
Notary Public in and for Alaska
My Commission expires: 1/30/06

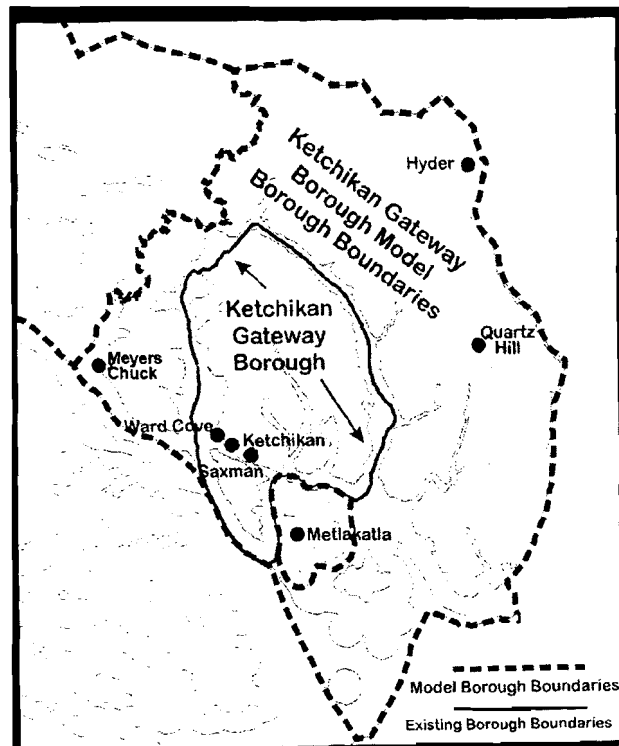
EXHIBIT K

JUSTIFICATION FOR EXCLUDING APPROXIMATELY 205 SQUARE MILES NEAR HYDER FROM THE MODEL BOUNDARIES

The proposed territory to be annexed to the existing Ketchikan Gateway Borough includes all territory of the State's model boundaries except for approximately 205 square miles of public and private land surrounding and including the community of Hyder, hereinafter referred to as Hyder. While the Petitioner agrees that this area should eventually be included into the Borough, the current cultural, social, economic and other ties between this area and the Borough does not justify inclusion at this time. Following is: (1) a review of the State's decision making history as it relates to incremental or phased annexations; (2) a geographically logical boundary established to adhere to State guidelines; (3) explanation for excluding the Hyder area from the Model Borough Boundaries; and, (4) discussion of context for phasing-in or future annexation of Hyder.

State History of Incremental (Phased) Annexations

Since statehood, compromise and discretion, rather than wholesale annexation, has defined the pace and terms of borough formation and the expansion of local government in Ketchikan and elsewhere in the State. In fact, this pattern of prudence has led to Ketchikan's present day boundaries (which fall short of its model boundaries) and the circumstances surrounding the submittal of the current petition for expansion of the Ketchikan Gateway Borough. Although Ketchikan's model boundaries are nearly identical to its boundaries defined under the Model Borough Act of 1963, a series of decisions since that time have set the contemporary stage for the current annexation proposal. The Borough's incorporation in 1963 represented the State's first action which allowed Ketchikan to deviate from its approved boundaries. Rather than assuming responsibility for the entire (then mandated) territory, the Borough initially proposed incorporation of an area including only that land within the Ketchikan Independent School District and an additional portion of territory including



Map Figure 1.

Ketchikan Gateway Borough: Model Borough Boundaries
Source: State of Alaska Model Borough Boundaries, Revised 1997

roughly that area encompassed by the present day Naha LUD II within the Tongass National Forest. This represented only a small fraction of the larger territory mandated under the act. While the State agreed that this area proposed by the Borough demonstrated the level of integration necessary to justify incorporation, it also noted that "The boundaries of the proposed borough, however, appear to be arbitrary."¹ Instead, the State recommended, and subsequently approved, an interim solution to include all of Gravina and Revillagigedo Islands "which are included in the Ketchikan trading area and represent at least partially (*emphasis added*) the "rural" portion of the Ketchikan Community of interests."² In essence, this left the remaining 74% of the territory (4,906 square miles), including the communities of Hyder and Meyers Chuck, to be phased into the Borough's local government system at a later date. It should be noted that even this compromise, which incorporated only 26% (1,754 square miles) of the mandated borough, was opposed by some in the community as representing undue State interference in local government affairs.

The second State-approved departure from Ketchikan's previously defined borough boundaries occurred in 1992 with the adoption of the Model Borough Boundary Act which excluded Metlakatla and the Annette Island Indian Reservation from Ketchikan's model boundaries (*see, Map Figure 1, Model Borough Boundary Map*). While the island's independent reservation status made it a logical candidate for exclusion, it is interesting to note that the strength of its cultural, social, and economic ties to Ketchikan might otherwise justify its inclusion within the Borough.

A more recent exception to the State standard requiring boundaries which embrace an area and population with common interests to the maximum degree possible occurred in 2001 when the LBC approved the petition for consolidation of the City of Ketchikan and the Ketchikan Gateway Borough. According to the LBC Statement of Decision, 3 AAC 110.060(b) required consideration of the Borough's model boundaries in the context of the consolidation petition.³ The decision noted that "the Commission (LBC) takes the view that the lack of conformity to model borough boundaries is not an impediment to consolidation" and issued a finding of consistency with boundary standards contained in AS 29.05.031(a)(2) and AAC 110.060(b).⁴

¹ Source: Incorporation of the Gateway Borough. Report to the Local Boundary Commission. May, 1963, page 7.

² Ibid.

³ State of Alaska Local Boundary Commission Statement of Decision in the matter of the petition for consolidation of the City of Ketchikan and the Ketchikan Gateway Borough, April 27, 2001, page 9.

⁴ Ibid, page 9.

The State's practice of permitting local government formation, expansion, and unification in areas representing less than complete model boundaries, and the maximum sphere of common interests, is not limited to the history of State decisions in Ketchikan. In fact there are a number of instances where the State has allowed local government to be phased in stages with the recognition that "ideal municipal boundaries and governmental structure are goals which may not be achieved in the near future, but toward which progress may be attained incrementally over time."⁵

In the case of Juneau's 1989 petition to annex 140 square miles, the LBC did not follow the State Department of Community and Regional Affairs recommendation that Juneau's petition be approved on the condition that it annex all of the territory within its newly developed model boundaries. Instead, the LBC concluded that "The social, cultural, economic and transportation characteristics of the 140 square mile area are most closely linked to the CBJ. Thus, annexation of this territory would more fully satisfy (*emphasis added*) the constitutional provisions concerning boroughs."⁶ Even though the LBC eventually decided to conduct hearings prior to the approval of the model boundaries, it concluded that it shouldn't prevent it from acting upon the annexation petition.

The LBC pursued a similar pattern of discretion in its May 11, 1990 decision to approve incorporation of the Denali Borough. In its decision, the LBC not only established model boundaries for the Denali Borough but approved a petition which did not incorporate all of the territory within it and specifically excluded the community of Nenana. Again, the LBC found, in summary, that in order to meet the State's best long-term interest, it may be necessary to take actions which fall short of the long-term ideal. In its decision, the LBC noted "...the exclusion of the Greater Nenana area from the area proposed for incorporation is found to be warranted in the short-term on the basis of broad judgments of political and social policy. The preponderance of testimony in the Denali region was in strong opposition to the inclusion of Nenana at this time. Opposition stemmed from differences in social, cultural, and economic considerations. For example, the Denali and Valleys petitions and testimony demonstrated divergent views among the residents of the two areas concerning means of generating local government revenues and philosophies of government operations."⁷ Because of this

⁵ Ibid, page 9.

⁶ State of Alaska Local Boundary Commission Statement of Decision in the matter of the of the annexation of the Greens Creek Mine and surrounding territory to the City and Borough of Juneau, October 8, 1990, page

⁷ State of Alaska Local Boundary Commission Statement of Decision in the matter of the (1) "Ideal" borough boundaries of the Denali and Nenana regions, (2) petition for the incorporation of the Denali Borough, (3) petition for incorporation of the Valleys Borough and (4) petition for annexation to the Matanuska-Susitna Borough, May 11, 1990, page 3.

opposition, the LBC found it necessary to exclude Nenana in the short-term to ensure the political support necessary for establishment of the Denali Borough. Upon appeal to the Alaska Supreme Court, the Court upheld the LBC decision to exclude Nenana on the basis "that the Greater Nenana area and the Denali region are not cohesive enough at this time to include both territories within the same organized borough."⁸ This administrative approach, and its judicial affirmation, will be revisited in this petition when discussing the specific circumstances regarding the need to phase-in the community of Hyder into the Ketchikan Gateway Borough at a later date.

A final example of how the LBC has found it necessary to establish local government boundaries that fall short of ideal boundaries while still embracing an area and population with common interests to the maximum degree possible can be found in its review of Haines' petition to consolidate the City of Haines and the Haines Borough. In its decision, the LBC allowed creation of an enclave, including the City of Skagway and community of Klukwan, within the boundaries of the Haines Borough. In its Statement of Decision, the LBC noted that the existing and proposed boundaries of the Haines Borough do not conform to its model boundaries in the same manner of other communities, including Ketchikan. The LBC found in the case of Haines that "...consolidation is a highly favorable development with respect to local government... The positive direction resulting from consolidation is more than sufficient to overcome shortcomings with respect to the model boundaries of the Haines Borough. In other words, the Commission recognizes that ideal municipal boundaries and governmental structure are goals which may not be achieved in the near future, but toward which progress may be attained *incrementally* (emphasis added) over time."⁹

Re-Definition of Hyder Exclusion Area

In its 1999 Statement of Decision regarding the Borough's previous annexation petition (which excluded Hyder and Meyers Chuck), the LBC concluded that "...the exclusion of Hyder and Meyers Chuck from the annexation proposal precludes the satisfaction of the requirement that the Borough conform generally to natural geography and include all areas necessary for full development of municipal services on an efficient, cost-effective level."¹⁰ In particular, the LBC noted, among other items, that the previously proposed boundaries near Hyder

⁸ Valleys Borough Support Committee v. Local Boundary Commission, November 12, 1993. 863 Pacific Reporter, 2nd Series, Alaska, page 233.

⁹ State of Alaska Local Boundary Commission Statement of Decision in the matter of the March 31, 1998 petition for consolidation of the City of Haines and the Haines Borough, August 21, 1998, pages 11-12.

¹⁰ State of Alaska Local Boundary Commission Statement of Decision in the matter of the February 28, 1998 petition of the Ketchikan Gateway Borough for annexation of 5,524 square miles, April 16th, 1999, page 7.

followed the thread of the Salmon River and constituted the division of a natural drainage inconsistent with the Commission's interpretation of the natural geography standard.

As shown in Exhibit C, Detail Map A, the current Petition proposes the boundary near Hyder to be the existing boundary separating Misty Fjords National Monument from unrestricted National Forest lands, thus establishing an area of approximately 205 square miles surrounding Hyder. This proposed boundary is based upon a long recognized boundary which conforms to natural geography as required by the State guidelines.

Justification for exclusion of Hyder from the State Borough Model Boundaries

The Petitioner does not dispute that the State's model boundaries accurately reflect, in the long-term, a territory of common cultural, social and economic interests, however, the strength of these common interests at the present time are not as strong as they should be for the successful expansion of local government there. Due to the strength of Hyder's physical, economic, and social connections to immediately adjacent Stewart, British Columbia, and its isolation from rest of Alaska, Hyder's social, cultural, economic, and other community of interest with the Ketchikan Gateway Borough does not justify annexation at this time.

Specifically, residents of Hyder depend on Stewart for economic services including shopping and banking. Hyder merchants accept Canadian money and utilize Canadian banks as there are no U.S. banks in Hyder. Transportation of people, goods and services to Hyder is primarily through Canada via the Canadian road system. Intermittent ferry service from Ketchikan to Hyder, approximately 175 miles, was discontinued in 2001 which had the effect of further isolating the community from Ketchikan. Hyder is connected to the Canadian phone and electric systems and time zone. Finally, Hyder receives little local media (radio or television) from Ketchikan, and receives almost exclusively Canadian television and radio broadcast signals.

Clearly, the economic, cultural, social and other community of interests between the Ketchikan Gateway Borough and Hyder is weak. In addition, the Hyder community strongly opposes annexation and the Ketchikan Gateway Borough is not inclined to annex this territory until such time that the physical, social, and economic ties between the two communities strengthen further. For these reasons, Hyder does not justify inclusion to the Ketchikan Gateway Borough at this time.

Conditions When Phase-in of Hyder Should be Reconsidered

As mentioned above, the economic, social, cultural and other community of interest ties between the Ketchikan Gateway Borough and Hyder is weak and

does not justify inclusion into the Borough at this time. While there are no indications that the strengthening of ties will occur in the near term, at some future time conditions will change that will justify the inclusion of Hyder into the Ketchikan Gateway Borough. Following are examples of when phasing-in of Hyder to the Ketchikan Gateway Borough should be reconsidered and possibly warranted. This list is not meant to present specific "triggers" for annexation but to describe the circumstances and context within which annexation would be re-examined.

- Hyder desires to create a political subdivision of the State.

At some time in the future, the residents of Hyder may desire to create some type of political subdivision in order to receive State funding or to establish a governmental entity to collect money for providing community services. When such a situation occurs, the Borough should petition the State to annex Hyder with Hyder becoming a Service Area of the Borough.

- Economic Development within the Hyder area.

The most likely economic development activity in Hyder will be the growth of commercial tourism. This growth could initiate the need for expansion, renovation, or improvement of municipal infrastructure including roads, harbors, utilities, or other items to support new economic opportunities. In addition, there is some possibility that mineral deposits in the region may be re-examined as world markets and economics change.

- Community demand for municipal services.

In the future, residents of Hyder may want municipal services to address development concerns, address health issues or to provide a service that benefits the community. As examples, the community may want to establish planning and zoning regulations to insure hotels or tourism lodges are not constructed next to residential properties or to regulate the potential growth of commercial tourism. The community may desire municipal services to address water, wastewater or solid waste issues to insure public safety or to address State and Federal regulations. The community may desire road powers to address safety concerns or to simply construct and maintain roads that can be funded by the entire community. At such a time, the Borough would be poised to fill local government's logical role to assist Hyder with the planning and provisions of these services.

- Increase in transportation, communication, commerce.

The isolation of Hyder is in large part due to the lack of transportation, communication and commerce between Hyder and the Borough. Annexation of Hyder into the Borough will be justified or should be pursued when there is:

established regular and frequent ferry service between Ketchikan and Hyder or other systems which would move goods, services, and people between the community in manner and scale consistent with a unified region. Such transportation improvements would also lead to strengthening sector ties in finance, insurance and real estate between the two communities.

In Re: Petition by the Ketchikan)
Gateway Borough for Legislative)
Review Annexation of)
Approximately 4,701 Square)
Miles to the Ketchikan Gateway)
Borough)

**AFFIDAVIT OF POSTING
OF NOTICE OF JANUARY 21ST, 2006 PUBLIC HEARING**

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

COMES NOW, David J. Taylor, being first duly
sworn upon oath, deposes and states:

1. I am over the age of eighteen and in all ways competent to make this affidavit. I make this affidavit from personal knowledge.

2. On the 19 day of December, 2005, the notice *titled* "Ketchikan Gateway Borough Notice of Public Hearing Regarding Prospective Petition to Annex an Estimated 4,701 Square Miles", a copy of which is attached hereto, was posted at the following prominent locations readily accessible to the public within the territory proposed for incorporation:

A. Hyder Community Association Bulletin Board

3. I acknowledge my obligation to ensure, through reasonable inspection, that each copy of the notice posted in the locations listed in section 2 remains posted at least until the date and time of the informational meeting. I further acknowledge my obligation to ensure, through reasonable inspection, that the notice posted at the

repository for the incorporation petition documents will remain in place throughout this entire annexation proceeding.

FURTHER YOUR AFFIANT SAYETH NAUGHT.

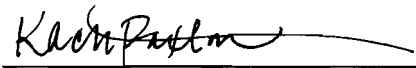
DATED at Ketchikan, Alaska, this 20 day of December 2005.



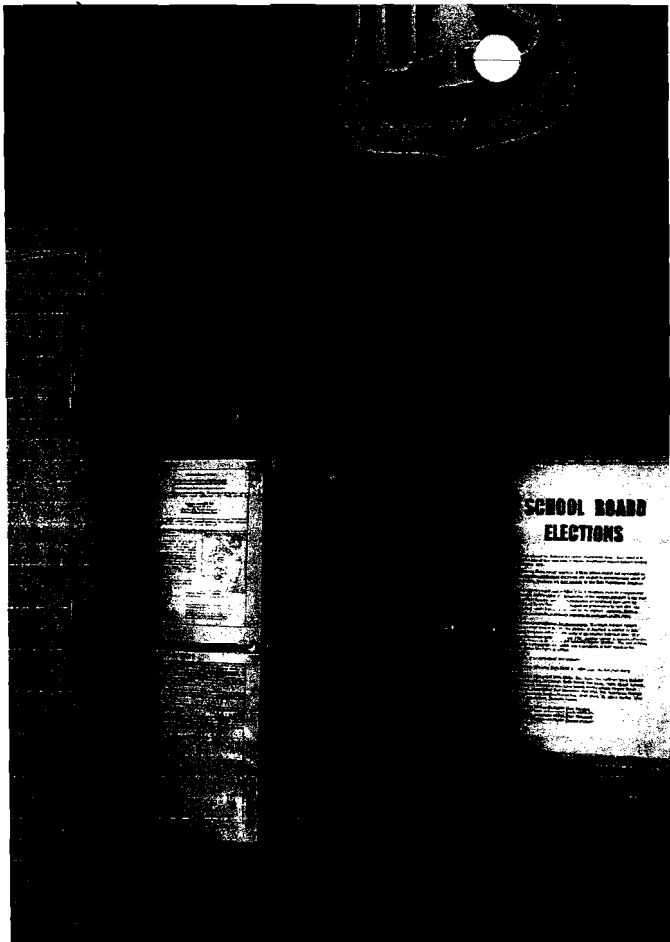
Signature of Affiant

SUBSCRIBED AND SWORN TO before me this 20 day of
December 2005.





Notary Public in and for Alaska
My Commission expires: 1/30/06



In Re: Petition by the Ketchikan)
Gateway Borough for Legislative)
Review Annexation of)
Approximately 4,701 Square)
Miles to the Ketchikan Gateway)
Borough)

**AFFIDAVIT OF POSTING
OF NOTICE OF JANUARY 21ST, 2006 PUBLIC HEARING**

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

COMES NOW, ERIN REEVE, being first duly
sworn upon oath, deposes and states:

1. I am over the age of eighteen and in all ways competent to make this affidavit. I make this affidavit from personal knowledge.

2. On the 19TH day of December, 2005, the notice *titled* "Ketchikan Gateway Borough Notice of Public Hearing Regarding Prospective Petition to Annex an Estimated 4,701 Square Miles", a copy of which is attached hereto, was posted at the following prominent locations readily accessible to the public within the territory proposed for incorporation:

A. Hyder Community Association Bulletin Board

3. I acknowledge my obligation to ensure, through reasonable inspection, that each copy of the notice posted in the locations listed in section 2 remains posted at least until the date and time of the informational meeting. I further acknowledge my obligation to ensure, through reasonable inspection, that the notice posted at the

repository for the incorporation petition documents will remain in place throughout this entire annexation proceeding.

FURTHER YOUR AFFIANT SAYETH NAUGHT.


DATED at Ketchikan, Alaska, this 19th day of December, 2005.



Signature of Affiant

SUBSCRIBED AND SWORN TO before me this 20 day of
Jan. Dec., 2005.





Notary Public in and for Alaska
My Commission expires: 1/27/06

In Re: Petition by the Ketchikan)
Gateway Borough for Legislative)
Review Annexation of)
Approximately 4,701 Square)
Miles to the Ketchikan Gateway)
Borough)

**AFFIDAVIT OF POSTING
OF NOTICE OF JANUARY 21ST, 2006 PUBLIC HEARING**

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

COMES NOW, JOHN W. Hill, being first duly
sworn upon oath, deposes and states:

1. I am over the age of eighteen and in all ways competent to make this
affidavit. I make this affidavit from personal knowledge.

2. On the 19TH day of December, 2005, the notice *titled* "Ketchikan
Gateway Borough Notice of Public Hearing Regarding Prospective Petition to Annex an
Estimated 4,701 Square Miles", a copy of which is attached hereto, was posted at the
following prominent locations readily accessible to the public within the territory
proposed for incorporation:

A. Meyers Chuck Post Office Bulletin Board

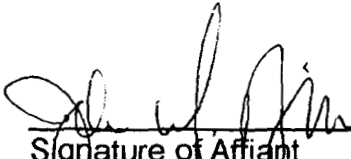
3. I acknowledge my obligation to ensure, through reasonable inspection,
that each copy of the notice posted in the locations listed in section 2 remains posted at
least until the date and time of the informational meeting. I further acknowledge my
obligation to ensure, through reasonable inspection, that the notice posted at the

AFFIDAVIT OF POSTING OF NOTICE OF JANUARY 21ST, 2006 PUBLIC HEARING
PAGE 2 OF 2

repository for the incorporation petition documents will remain in place throughout this entire annexation proceeding.

FURTHER YOUR AFFIANT SAYETH NAUGHT.

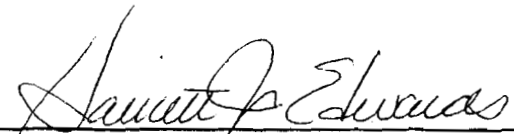
DATED at Ketchikan, Alaska, this 19 day of December 2005.



Signature of Affiant

SUBSCRIBED AND SWORN TO before me this 20 day of
December 2005.





Notary Public in and for Alaska
My Commission expires: 1/27/06

In Re: Petition by the Ketchikan)
Gateway Borough for Legislative)
Review Annexation of)
Approximately 4,701 Square)
Miles to the Ketchikan Gateway)
Borough)

**AFFIDAVIT OF POSTING
OF NOTICE OF JANUARY 21ST, 2006 PUBLIC HEARING**

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

COMES NOW, John W. Hill, being first duly
sworn upon oath, deposes and states:

1. I am over the age of eighteen and in all ways competent to make this affidavit. I make this affidavit from personal knowledge.

2. On the 19th day of December, 2005, the notice *titled* "Ketchikan Gateway Borough Notice of Public Hearing Regarding Prospective Petition to Annex an Estimated 4,701 Square Miles", a copy of which is attached hereto, was posted at the following prominent locations readily accessible to the public within the territory proposed for incorporation:

- A. Ketchikan Post Office
- B. City of Ketchikan, City Hall
- C. Ketchikan Gateway Borough

3. On the 22nd day of December, 2005, the notice *titled* "Ketchikan Gateway Borough Notice of Public Hearing Regarding Prospective Petition to Annex an Estimated 4,701 Square Miles", a copy of which is attached hereto, was posted at the


following prominent locations readily accessible to the public within the territory
proposed for incorporation:

A. Saxman IRA/City Hall

3. I acknowledge my obligation to ensure, through reasonable inspection,
that each copy of the notice posted in the locations listed in section 2 remains posted at
least until the date and time of the informational meeting. I further acknowledge my
obligation to ensure, through reasonable inspection, that the notice posted at the
repository for the incorporation petition documents will remain in place throughout this
entire annexation proceeding.

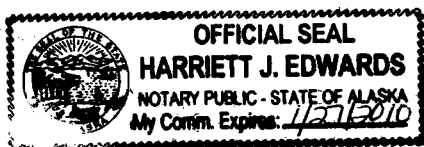
FURTHER YOUR AFFIANT SAYETH NAUGHT.


DATED at Ketchikan, Alaska, this 4TH day of January 2006.



Signature of Affiant

SUBSCRIBED AND SWORN TO before me this 4 day of
January 2006.





Notary Public in and for Alaska
My Commission expires: 1/27/2010

In Re: Petition by the Ketchikan)
Gateway Borough for Legislative)
Review Annexation of)
Approximately 4,701 Square)
Miles to the Ketchikan Gateway)
Borough)

**AFFIDAVIT OF POSTING
OF NOTICE OF JANUARY 21ST, 2006 PUBLIC HEARING**

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

COMES NOW, DAVID TAYLOR, being first duly
sworn upon oath, deposes and states:

1. I am over the age of eighteen and in all ways competent to make this
affidavit. I make this affidavit from personal knowledge.

2. On the 28 day of December, 2005, the notice *titled* "Ketchikan
Gateway Borough Notice of Public Hearing Regarding Prospective Petition to Annex an
Estimated 4,701 Square Miles", a copy of which is attached hereto, was posted at the
following prominent locations readily accessible to the public within the territory
proposed for incorporation:

- A. Yes Bay Boat House and Lodge Bulletin Board
- B. Bell Island Boat House

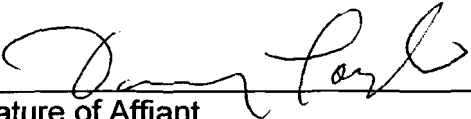
3. I acknowledge my obligation to ensure, through reasonable inspection,
that each copy of the notice posted in the locations listed in section 2 remains posted at
least until the date and time of the informational meeting. I further acknowledge my
obligation to ensure, through reasonable inspection, that the notice posted at the

AFFIDAVIT OF POSTING OF NOTICE OF OCTOBER 4, 2005, INFORMATIONAL MEETING
PAGE 2 OF 2

repository for the incorporation petition documents will remain in place throughout this entire annexation proceeding.

FURTHER YOUR AFFIANT SAYETH NAUGHT.


DATED at Ketchikan, Alaska, this 4 day of January 2005.⁶



Signature of Affiant

SUBSCRIBED AND SWORN TO before me this 4 day of
January 2005.⁶

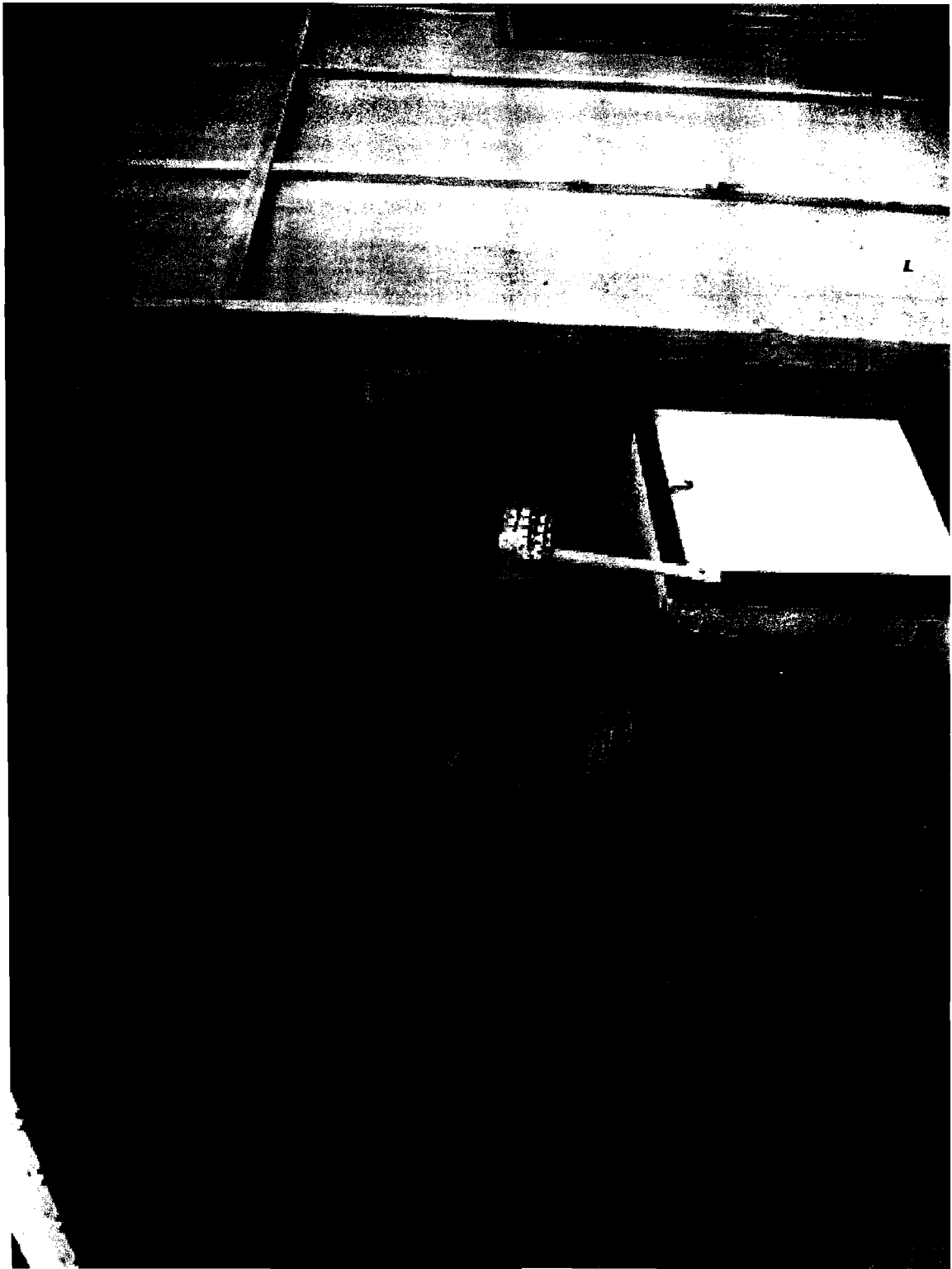




Notary Public in and for Alaska
My Commission expires: 1/30/10



~~Bent Island~~
Yes Bay



West Bay
Bell Island

Ketchikan Gateway Borough

Notice of Public Hearing Regarding Prospective Petition to Annex an Estimated 4,701 Square Miles

On the date and at the time and place noted below, the Assembly of the Ketchikan Gateway Borough ("Borough") will conduct a public hearing under 3 AAC 110.425 regarding the Borough's prospective annexation petition:

Saturday, January 21, 2006

10:00 a.m. to 2:00 p.m.

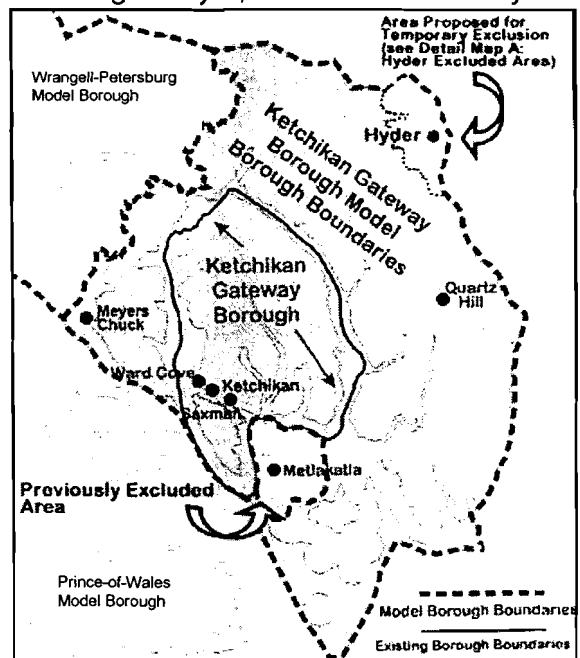
**Ketchikan City Council Chambers
334 Front Street, Ketchikan, Alaska**

The hearing will address borough annexation standards and their application to the prospective annexation proposal, legislative review annexation procedures, the reasonably anticipated effects of the proposed annexation, and the proposed transition plan.

The hearing will include a period of public comment by interested persons, not to exceed 5 minutes for each person. At the discretion of the Borough Mayor, additional time may be allowed for public comments.

The area contemplated for annexation is generally described as follows: All unorganized territory within the State's model boundaries for the Ketchikan Gateway Borough as defined by 3 AAC 110.990(9) with the exception of approximately 205 square miles of public and private lands surrounding and including the community of Hyder. The territory proposed for annexation includes the community of Meyers Chuck, an unincorporated community containing approximately 0.6 square miles of land and 0.2 square miles of water.

The prospective annexation petition is currently available for public review at the following location(s):



Location

Ketchikan Gateway Borough
344 Front Street
Ketchikan, AK 99901
Ketchikan Public Library
629 Dock Street
Ketchikan, AK 99901
Meyers Chuck Post Office
Hyder Community Assoc. Library
Main Street
Hyder, Alaska 99923

Days and Times Open to the Public

Monday through Friday, 8:00 a.m. to 5:00 p.m.

Monday through Wednesday, 10:00 a.m. to 8:00 p.m.

Thursday through Saturday, 10:00 a.m. to 6:00 p.m.

Sunday, 1:00 p.m. to 5:00 p.m.

Tuesday and Wednesday, 10:00 a.m. to 12:30 p.m.

Monday through Friday, 9:00 a.m. to 3:00 p.m.

(closed December 17th through January 2nd)

The public may receive, without charge, a summary of the prospective petition by contacting the Ketchikan Gateway Borough, Office of the Borough Clerk, 344 Front Street, Ketchikan, AK 99901, (907) 228-6605 (tel), (907) 247-8439 (fax), boro_clerk@borough.ketchikan.ak.us. The summary includes a map, a summary of the Borough's views regarding satisfaction of the State's annexation standards, a summary of the anticipated effects of annexation, and a summary of the transition plan prepared in accordance with 3 AAC 110.425(b). A complete copy of the prospective petition, and the summary, can also be viewed or downloaded from the Borough's website located at www.borough.ketchikan.ak.us.

Residents of Meyers Chuck and Union Bay who wish to attend the hearing are eligible to receive free round-trip float plane transportation between Meyers Chuck and Ketchikan by contacting the Office of the Borough Clerk by 5:00 p.m., Monday, January 16th, 2006 at (907) 228-6605.

Residents of Hyder will be able to participate in the hearing via teleconference hookup. The teleconference facilities will be located at the Hyder Community Association, Main Street, Hyder, Alaska 99923 (250) 636-9148.

Individuals with disabilities who need reasonable accommodations to participate at the hearing should contact the Office of the Borough Clerk by Thursday, January 19th, 2006. Additional information concerning the hearing and other aspects of the prospective annexation proposal may be obtained from: David Taylor, Principal Planner, (907) 228-6610, dtaylor@borough.ketchikan.ak.us, (907) 247-8439.

PUBLIC SERVICE ANNOUNCEMENT OF
Ketchikan Borough Assembly Hearing
Regarding Proposed Annexation of an Estimated 4,701
Square Miles

BROADCAST ON KRBD, 105.3 FM,
FROM SATURDAY, DECEMBER 31, 2005, THROUGH
10:00 A.M. SATURDAY, JANUARY 21, 2006

The Ketchikan Gateway Borough Assembly will conduct a public hearing regarding the borough's prospective petition for annexation of approximately 4701 square miles of unorganized territory located within model borough boundaries. The hearing will be held in the Ketchikan City Council Chambers, 334 Front Street in Ketchikan, on Saturday, January 21st from 10am until 2pm. Residents of Meyers Chuck and Union Bay who wish to attend the hearing are eligible to receive free round-trip float plane transportation by contacting the office of the Borough Clerk by 5pm on January 16th at 907-228-6605. Residents of Hyder can participate by teleconference at the Hyder Community Association, located on Main Street in Hyder. The prospective petition is available for public review at the Ketchikan Gateway Borough offices, 344 Front Street, The Ketchikan Public Library at 629 Dock Street, at the Meyers Chuck Post Office, and the Hyder Community Association during regular business hours. For more information, or for a free summary of the prospective petition, contact the Office of the Borough Clerk, 907-228-6605, or you can view it on the web at www.borough.ketchikan.ak.us

KETCHIKAN GATEWAY BOROUGH

Special Assembly Meeting

January 21, 2006

Call to Order—Pledge of Allegiance—Roll Call

The special meeting of the Ketchikan Gateway Borough Assembly was called to order at 10:00 a.m., Saturday, January 21, 2006, by Mayor Williams in the City Council Chambers.

PRESENT: LYBRAND, SARBER [arrived 10:06 a.m.], LANDIS, KIFFER [arrived 10:04 a.m.], PAINTER, HARRINGTON, THOMPSON

ABSENT: NONE

Staff present included Manager Eckert, Attorney Brandt-Erichsen, Principal Planner/Code Administrator Taylor and Clerk Edwards.

Mayor Williams said the Assembly would take citizen comments on items other than the public hearing or comments on the herring issue. He said time would be provided for citizen comments after the annexation issue was completed and before the herring issue was taken up by the Assembly.

10:02:15 AM

Citizen Comments—*Comments on any topic other than scheduled public hearings.*

There were no citizen comments.

10:03:51 AM

Public Hearing—*Each person shall be allowed up to 5 minutes for testimony. The Borough Mayor may allow additional time.*

Proposed Petition to annex an estimated 4,701 square miles into the Ketchikan Gateway Borough

Consultant John Hill, assisted by Planner Taylor, provided a PowerPoint presentation and commented on the proposed petition.

10:44:53 AM

Mayor Williams opened the meeting up to citizen comments on the proposed annexation.

[Clerk's Note: The letters and resolution read during public comment are available at the Clerk's Office.]

Greg Rice, Chairman of the Meyers Chuck Community Association, provided a copy of his statement to the Assembly and read it. Mr. Rice spoke in opposition to the inclusion of Meyers Chuck in the proposed annexation petition and noted the proposed Wrangell Borough included Meyers Chuck. Mr. Rice stated Meyers Chuck had more commonality with Wrangell than it did with Ketchikan. He requested that if Meyers Chuck was included with Ketchikan a number of tax related issues be addressed and that a vote of the Ketchikan Gateway Borough residents be conducted to determine their wishes on annexation.

Andrew Taylor, Unuk River landowner, described the restrictions already in place for owners of land in the Unuk River area. He requested the private property in Misty Fjords National Monument be excluded from the annexation.

Debbie Johnson, resident of Union Bay, said the area was unsuited for inclusion in the Ketchikan Gateway Borough. She described the way of life of the Union Bay residents and said they utilized the services of Wrangell more than Ketchikan. Ms. Johnson referenced a chart she provided and pointed out water transportation was more convenient and safer to Wrangell. She noted a preference to be included in a Wrangell Borough and advised the potential platinum mine was not going to be developed.

Katherine Peavy, resident of Meyers Chuck, questioned why the Borough wanted to include Meyers Chuck and stated her preference was to be aligned with the Wrangell Borough. Ms. Peavy read a letter from Tara Nielson, a writer and resident of Meyers Chuck. Ms. Nielson stated she did not use the library services offered by Ketchikan, but rather used the Juneau Public Library services.

George Gucker, resident of Meyers Chuck, expressed concern that no one would be voting on the issue of annexation. He urged the Assembly to call for a vote.

Robert Michael Meyer III, a resident of Meyers Chuck, said he chose to live in Meyers Chuck because it reflected his ideal of the Alaska lifestyle. Mr. Meyer stated his opposition to the annexation.

Eric Muench, a resident of the Borough, said he did not own property in Meyers Chuck but supported the position of the Meyers Chuck residents. He pointed out the model borough boundary was just that—a model, and went on to discuss the fallacies used to establish the boundary and took exception to statements made in the executive summary regarding Meyers Chuck. He said the boundary should go up the middle of the Cleveland Peninsula and urged the Assembly to hold back on the petition until a true economic boundary could be established.

Shirley Lee, a resident of Meyers Chuck, said she wanted to support the other speakers who stated they did not want to be included in the Ketchikan Gateway Borough.

Brad Finney, owner of land at Union Bay, said he was just interested in receiving the least amount of government at the lowest cost. He wondered what services the residents of Meyers Chuck and Union Bay would receive from the Borough.

Leanne Bifoss, resident of Union Bay, spoke against the proposed annexation and said if being included in a borough was inevitable, then her preference would be Wrangell.

Tom Sims, Vice Mayor of the City of Wrangell, provided letters from the City of Wrangell and City of Petersburg opposing the annexation attempt by the Ketchikan Gateway Borough. Vice Mayor Sims talked about the effect on other communities in Southeast because of the loss on timber receipts. He read a letter of opposition from himself as Vice Mayor of Wrangell. Vice Mayor Sims explained the boundaries of the proposed Wrangell Borough and briefly discussed Wrangell's efforts. He responded to questions from the Assembly.

Peter Rice, part-time resident of Meyers Chuck, said he was involved in the discussions with the City of Wrangell and noted the City of Wrangell initiated the request to the Meyers Chuck residents. He commented Wrangell was proposing a 2 mill rate for the outlying residents, depending upon state law requirements, and Wrangell's philosophy of less government was more in line with that of Meyers Chuck. He added the geographical boundaries also supported alliance with Wrangell. Dr. Rice responded to Assembly questions.

Jon Bolling, City of Craig, said the City of Craig was deeply concerned about the negative financial impact the annexation would have on Craig and a number of other communities in the Unorganized Borough in Southeast Alaska. He said the annexation would take \$1.2 million from those communities in favor of the Ketchikan Gateway Borough. He spoke about the impacts to the schools in the communities that supported their school districts and communities who had REAAs. Mr. Bolling said communities on Prince of Wales Island would also lose money from the PILT program. Mr. Bolling presented the Assembly with letters from other communities in Southeast Alaska opposing the annexation: a resolution from the City of Klawock; letter from the City of

Hoonah; letter from the City of Thorne Bay; letter from the City of Pelican; letter from the Southeast Island School District; and a letter from the Naukati Homeowners Association. Mr. Bolling responded to questions from the Assembly.

RECESS:

The meeting recessed at 12:03 p.m. and reconvened at 12:32 p.m.

Lawrence "Snapper" Carson, property owner in Meyers Chuck, agreed with the comments of the other property owners in Meyers Chuck. He discussed how the rising cost of living affected retirees and the problems with navigating Clarence Straits. He said Meyers Chuck should be given the opportunity to join a Wrangell borough.

Terry Gucker, resident of Meyers Chuck, spoke of the peacefulness of retired life in Meyers Chuck and the wilderness lifestyle. She claimed the Borough was trying to take away their independence.

Dick Coose, a resident of the Ketchikan Gateway Borough, encouraged the Assembly to send the petition forward to the state and said staff did a good job. He said it was important to allow the Borough Assembly to have influence on the federal government regarding management of the forests. He felt if the annexation had occurred six years ago the Seley mill would not have closed. Mr. Coose emphasized the need for the Borough to have influence on what occurred around it. He also emphasized the additional revenue that would be realized through the annexation and stated he believed the forest receipts would be reauthorized for the next six years. He encouraged Wrangell to really investigate what it would receive in forest receipts—would they be adequate to support the new borough. Mr. Coose suggested the Assembly see if the outlying areas could be taxed at a lower rate. He reminded the Assemblymembers they were responsible to the citizens of the Borough.

Laura Huffine, Unuk River property owner, addressed the problems involved with owning land on the Unuk River and requested they be excluded from the annexation. She said the river residents did not require any services from the Borough. Ms. Huffine asked if the floatplane tours would have to pay sales taxes on tours if the annexation took place. She responded to Assembly questions.

Don Westlund, a resident of the Borough, noted the inequities in the distribution of timber receipts and went on to say if it was possible Hyder and Meyers Chuck should be excluded from the annexation.

Dave Stevens, President of the Hyder Community Association, said there was a roomful of people in Hyder who wanted to address the Assembly. He said most of the Hyder citizens were opposed to the annexation.

Diana Simpson, a citizen of Hyder, said she was opposed to the annexation; the Borough could not provide them with services. Ms. Swenson said they had a library, a school, a road and basically took care of themselves.

Carol Denton, Vice President of the Hyder Community Association, read a resolution adopted by the association which opposed the annexation.

Peter Caffall-Davis, a Hyder resident, gave a presentation in which he insisted the Borough annexation was unconstitutional and the entire state annexation process needed modification. Mr. Caffall-Davis spoke of the need to retain the flavor and lifestyle of the last frontier villages. He spoke of the difficulty of assessing the properties in Hyder and the expense that would greatly exceed the revenues realized. He claimed the petition was flawed and should be rejected. He expressed his thoughts about maintaining the small Alaskan frontier community and the resilient subsistence lifestyle of the current residents. Mr. Caffall-Davis went on to say the public hearing did not adhere to the requirements required by the Alaska Administrative Code and Hyder residents should have been furnished transportation to attend the hearing. He reiterated the need to change the laws regarding Borough formation tailored to deal with remote rural communities.

Gary Nielson, a resident of Meyers Chuck, said the annexation would ruin the lifestyle of the Meyers Chuck residents.

Chuck Slajer, a resident of Hyder, said the Ketchikan Gateway Borough had a big city mentality. He went on to describe the dependence of Hyder citizens on the services provided by Canada. He said the only thing the Borough would provide Hyder was taxation and dog control. He said most residents had a subsistence income and could not afford taxes.

Melissa Medeiros, a Hyder resident, said the public hearing draft excluded Hyder from the annexation process now and asked about the triggers that would cause the Borough to annex Hyder. Manager Eckert said it did not appear it would happen in the foreseeable future. Ms. Medeiros expressed concern about the changing Assembly and asked about guidelines. Manager Eckert explained he did not see a change in the position of the Assembly in the near future.

Kathleen Shirley, a Hyder resident, read a letter from Superintendent Nygard from the Southeast Island School District in which Mr. Nygard opposed the annexation proposal. Ms. Shirley noted she was a property owner in Union Bay and said she and her husband supported the positions put forth by the residents of Meyers Chuck. She then commented she was a homeowner in Hyder and stated there were no common interests between Hyder and Ketchikan as required by the Alaska Constitution. She provided a number of examples of how she did not utilize any services from Ketchikan and lauded the quality of education the students in Hyder received from the Southeast Island School District. She expressed concern about the ability of the Ketchikan Gateway School District to provide an equitable education system in Hyder and stated the loss of timber receipts would negatively impact the Southeast Island School District.

Barton Meyer, a landowner in Meyers Chuck, voiced his opposition to the annexation of Meyers Chuck. He read a letter from his father also opposing the annexation.

Mims Jemison, a resident of Hyder, said Hyder was nice community and he wanted to keep it that way. He said he was opposed to being included in the Borough.

There being no more public speakers, Mayor Williams closed the public comments.

1:29:09 PM

Special Business

Consideration of Resolution No. 1949 authorizing a proposal for annexation to the Ketchikan Gateway Borough

M/S Landis/Thompson that the Ketchikan Gateway Borough hold a special referendum election, date to be determined, with an advisory question to determine the community's wishes with regard to the annexation of the 4,701 square miles contemplated in proposed Resolution No. 1949.

Assemblymember Landis stated it would be a stronger proposal if the citizens of the Borough supported the annexation.

Assemblymember Lybrand started to make a motion to put the question to a public vote and a number of the Assembly stated that was the intent of the motion by Assemblymember Landis.

Assemblymember Painter asked if any of the Assemblymembers owned, or had family who owned, property within the area proposed for annexation. Assemblymember Harrington stated he owned land in the area. Assemblymember Painter requested Mayor Williams make a ruling on a conflict of interest for Assemblymember Harrington. Mayor Williams ruled Assemblymember Harrington had a conflict of interest.

Assemblymember Harrington appealed the ruling and then explained the motion was to hold a public vote and there was no way he could have a financial interest in it. Mayor Williams withdrew his ruling.

Assemblymember Harrington said if the issue was going to a public vote several items needed to be discussed: the definition of what kind of millage rate was being discussed for the annexed areas, was the Assembly going to talk about full Borough millage rate in the annexed areas; and the second area was planning and zoning. He said he owned property in the area proposed for annexation and one of the pleasures of owning property outside the Borough was he could build what he wanted, when he wanted, and where he wanted on that property. He did not need to get a zoning permit and did not have to worry about setbacks and as-builts. Assemblymember Harrington said those issues spoke to the involvement of government in the outlying areas and if the Borough was going to impose them the Assembly was going to see a lot more angry people at the podium. He said if there was going to be a way to relieve the outlying areas of the zoning-type impediments to development, then that also needed to be brought forward as legislation before it went to a vote of the citizens.

Assemblymember Thompson pointed out that Mr. Caffall-Davis' comments were very apropos to the problems with annexation. He stated the reasons for the annexation was partially financial and partially from a governmental control standpoint. He asked if the annexation would be an issue if there was not a problem with the timber receipts. He added he believed the process was flawed and a vote of the people would allow their voice to be heard and would also delay the process probably a year. Assemblymember Thompson noted that during that time the state possibly could take up the problems that were inherent in the inequality of the sharing of the timber receipts and allow time for the areas in Southeast that were in the Unorganized Borough to embark on their own borough formation processes. He felt the vote would accomplish a lot and take the decision from the seven Assemblymembers.

Assemblymember Painter said he was in favor of the motion. He asked about the cost of the election and the cost to the Planning Department to promote the election. Clerk Edwards said to hold an election would cost about \$8,000 to \$9,000. Manager Eckert said he would have to get back with the additional cost for the Planning Department, but he did not anticipate it would cost much.

Assemblymember Lybrand suggested the election be combined with the upcoming city election and Clerk Edwards said it would not reduce the cost.

Assemblymember Thompson asked if the election was held in conjunction with the general election in October if that would reduce the cost and Clerk Edwards said it would somewhat.

Assemblymember Harrington asked if there was a differential in cost between an in-person or by-mail election and Clerk Edwards said she had no experience with a by-mail election because it was a new process. She felt it might reduce it somewhat.

M/S Thompson/Lybrand to amend the motion that the election be held with the next general election [October].

Assemblymember Landis spoke in support of a special election because of the timing issue. He pointed out that Wrangell was involved in an annexation process and the governor was putting out a program for borough formation. He stated if the Ketchikan Gateway Borough did not make haste in the process then there might be conflicts arising from the other areas that may choose to annex the territory or become boroughs.

Mayor Williams noted that most special elections had low turn-outs unless there was a "hot button" issue and usually most special elections failed for that reason. He said he supported putting the question to the voters at the next general election.

Assemblymember Sarber agreed that special elections did not generate the number of voters as general elections did. She added the Borough was not in competition with other municipalities and said the Borough was already

up against a deadline now to get anything in to the current legislative session. She said it probably was too late and would most likely take another year.

Assemblymember Kiffer said that although the motion would provide the Assembly with a certain amount of political cover, he was going to oppose it. He said the issue had been hanging over people's heads for quite some time and a decision should be made.

Assemblymember Landis asked about the timing issue. Manager Eckert said he understood Wrangell planned to send their borough petition forward in the next month or two, and if that was the case he felt there was a timing issue.

Tom Sims, Vice Mayor of the City of Wrangell, said he understood the city planned to file its petition the first part of February. He added he had talked with the Wrangell City Manager during the break and the City Manager said everyone would be welcome to testify at those hearings.

Manager Eckert said he would have some heartburn with the petition if it encroached on the Ketchikan Gateway Borough's model boundaries. He noted timber receipts were a big issue, regardless of the location in Southeast Alaska, and if the Assembly backed away from the annexation and lost those timber receipts it would have to answer to its constituents. He added the issue was more than timber receipts; it was a property tax issue, and a lifestyle issue. Manager Eckert said if it was Wrangell's intent to request part of the Ketchikan Gateway Borough's model borough boundary then the Borough was going to have to defend its model borough boundaries.

Assemblymember Thompson said the Local Boundary Commission would weigh in on the appropriateness of either Ketchikan or Wrangell to annex the Meyers Chuck area. He went on to say he could not see the urgency of the issue and the need to make an immediate decision. He said it should go to the Borough voters at the next general election.

Assemblymember Kiffer asked about the time period for the process. Attorney Brandt-Erichsen said the earliest the annexation petition would get to the legislature would be 2007. He said generally if a petition was not filed by March it could not get through the LBC process in time to get to the legislature by the next session. He said if the petition was not filed until sometime after March 2006 then it would be 2008.

Assemblymember Painter pointed out that when Mr. Sims discussed the proposed Wrangell borough it included more than Meyers Chuck and Union Bay; it included the drainage clear to the border.

Manager Eckert said he was going to make that same comment; if it was just Meyers Chuck and Union Bay he would not have a problem, but it was a lot more than that area. He said that would be giving up a lot of timber receipts.

Assemblymember Kiffer agreed and questioned the motives of Wrangell in their borough formation petition process.

Upon roll call, the vote on the AMENDMENT TO HOLD THE ELECTION IN OCTOBER was:

YES: THOMPSON, LYBRAND

NO: PAINTER, SARBER, HARRINGTON, KIFFER, LANDIS

MOTION DECLARED FAILED.

M/S Harrington/Kiffer to amend that the election be a by-mail election.

Assemblymember Thompson asked if a by-mail election would occur any quicker than an in-person special election and Clerk Edwards responded no. In response to Assemblymember Thompson, Clerk Edwards said she thought a by-mail election would be less expensive than an in-person election, but she was not sure. Assemblymember Lybrand said by-mail elections had the worse turnouts and Clerk Edwards replied she did not know and commented Ketchikan had a by-mail election run by the state when it voted on consolidation a few years ago.

Upon roll call, the vote on the AMENDMENT TO HOLD A BY-MAIL ELECTION was:

YES: HARRINGTON, THOMPSON, SARBER

NO: LANDIS, LYBRAND, KIFFER, PAINTER

MOTION DECLARED FAILED.

Upon roll call, the vote on the MAIN MOTION was:

YES: HARRINGTON, LANDIS, LYBRAND, THOMPSON, SARBER

NO: PAINTER, KIFFER

MOTION DECLARED CARRIED.

Mayor Williams announced a special election would be held.

RECESS:

The meeting recessed at 1:53 p.m. and reconvened at 2:01 p.m.

2:01:35 PM

Mayor Williams expressed his thanks to those people in the audience who stayed during the hearing in order to address the Assembly on Resolution No. 1952 and opened the floor for public comments.

[Clerk's Note: The written materials distributed by the speakers addressing the herring issue are available at the Clerk's Office.]

M/S Painter/Sarber to extend the meeting to 3:00 p.m.

MOTION DECLARED CARRIED VIA VOICE VOTE.

Ronald Layton, a citizen of the Borough, said he was a commercial fisherman and was one of the founders of SEACOPS in order to prevent the high seas interception of salmon. He said that process was successful and the salmon stocks revitalized. Mr. Layton voiced his concern about the herring stocks, provided examples of evidence supporting the reduction of herring, and urged the Assembly support the resolution.

Phil Doherty, Alaska Department of Fish and Game, distributed a thick packet of information about herring in Southeast Alaska. He said he was requested to attend the meeting by Assemblymember Painter. Mr. Doherty explained the Board of Fish process and how the department handled the management of the herring fisheries. He referenced numerous sources of information available about herring and responded to questions from the Assembly.

Donald Westlund, a citizen of the Borough, spoke in support of Resolution No. 1952 and related his experience illustrating the decreased size of herring.

Dave Klepser, a citizen of the Borough, noted the issue was highly technical and commented the Assembly should not be taking a position on it. He said it was a situation for the Board of Fish and warned that a vote in support of the resolution would be viewed unfavorably by the fishermen in the community.

Andy Rauwolf, a citizen of the Borough, said he had no commercial interest in the herring fishery but he had been extremely concerned for the last 15 years about the status of the herring populations in Southeast Alaska. He noted he had extensively studied the data provided by the Department of Fish and Game each year. He noted the Board of Fish received a lot of staff comments about proposals but the public was allowed only three minutes to comment on any proposal. He said most of the interested public tried to get on a committee to address the proposals. He went on to describe the fishery around Kah Shakes and Cat Island and the Board of Fish process since 1995. Mr. Rauwolf distributed some graphs showing herring size and discussed them in detail.

M/S Kiffer/Thompson to extend the meeting to 4:00 p.m.

MOTION DECLARED CARRIED VIA VOICE VOTE.

Assemblymember Lybrand left at 3:00 p.m.

Mr. Rauwolf continued with his presentation to the Assembly and stated it appeared there were genetic changes occurring in the herring stocks. He continued to express his concern about the way in which the Department of Fish and Game was handling the herring fisheries.

Mayor Williams noted it appeared the issue was very complicated and questioned the ability of the Assembly to make a decision on it.

Jennifer Castle, a citizen of the Borough, spoke in opposition of Resolution No. 1952. She stated the Assembly had not heard from the entire sector of the community dealing with the issue and felt the Assembly should not be involved with it. She noted the Board of Fish was prepared to deal with this type of issue and praised the management of Alaska's fisheries.

Tom Sims, Vice Mayor of the City of Wrangell, said he originally came to Ketchikan for the upcoming Board of Fish meeting. He explained there was a political process for dealing with the fisheries and it did not include the local governing bodies. He spoke in opposition to Resolution No. 1952.

Ron Porter, a citizen of the Borough, said the Alaska Department of Fish and Game had the best herring program in North America and maybe in the world. He spoke about the herring stocks in the area and urged the Assembly to refrain from involving itself in the issue. In response to Mayor Williams, Mr. Porter described his many years of involvement in fisheries in Alaska.

Bruce Wallace, a citizen of the Borough, said he was a commercial fisherman and noted he did not have any involvement with the herring fishery. He went on to state his opposition to formation of a sanctuary and stated the Assembly should not adopt Resolution No. 1952.

Carl Holm, a citizen of Petersburg, described his experience with different fisheries and said it had not been mentioned well enough the relationship between herring populations and predators. He said when the number of predators dwindled the size of herring increased. He went on to describe the life cycle of herring and the year classes of herring. Mr. Holm spoke of his experience on boards of fishery-related organizations and how they dealt with fisheries issues. He explained the high esteem in which the Department of Fish and Game was held by other countries in the world. He urged the Assembly to leave the department alone and let them do their job.

Donald Westlund, a citizen of the Borough, urged the Assemblymembers to attend the Board of Fish meetings and participate in the committee process.

Consideration of Resolution No. 1952 in support of Proposal Nos. 94 and 95 submitted to the Board of Fish by the Ketchikan Area Herring Action Group to establish herring sanctuaries in the portion of Section 1F which includes waters adjacent to Cat, Duke and Mary Islands, and Section 1E, West Behm Canal, subject to legislative approval.

M/S Landis/Kiffer to postpone Resolution No. 1952 indefinitely.

Assemblymember Landis said it appeared the Assembly jumped into something that was over its head and he was in favor of letting the Board of Fish deal with the issue.

Assemblymember Painter said the Assembly should vote on the issue.

Assemblymember Kiffer pointed out the issue was not new and said it was huge and the Assembly could not suppose it knew more than the Department of Fish and Game or the Herring Coalition.

Assemblymember Thompson said the issue was controversial and noted it had been beneficial to hear both sides of the issue in a public hearing forum. He said he would support the motion because the Assembly did not have the expertise to make a decision on the issue.

Assemblymember Harrington said he had been affiliated with the Herring Coalition Action Group in the past although he had not participated in the current issue until the last hour. He noted he had heard from a lot of people urging him to support the resolution. He pointed out the resolution would not have made a difference to the Board of Fish, but the sense he received in the past was the voices were not heard. He noted if the coalition was right the fish would not be around for long. Assemblymember Harrington said it was good to have the public airing of the issue from both sides and now the public was aware of it and the Board of Fish would know there was a major concern on the part of Ketchikan.

Assemblymember Landis said the motion was simply a statement that the Assembly was not taking a position on the herring issue.

Assemblymember Painter thanked all the speakers for providing comment on the issue. He said he did not believe it was right for a group to try to use the Assembly as a political lever.

Assemblymember Sarber said she was glad the issue arose because it gave her a better picture of the situation. She noted the Assembly did not have full information to make a decision.

Mayor Williams said he appreciated what was said and pointed out the Assembly did not have enough information to deal with the issue and there were venues that could address it.

Upon roll call, the vote on the MOTION TO POSTPONE INDEFINTELY was:

YES: KIFFER, HARRINGTON, SARBER, LANDIS, THOMPSON

NO: PAINTER

ABSENT: LYBRAND

MOTION DECLARED CARRIED.

3:51:57 PM

Mayor and Assemblymembers' Comments

Assemblymember Thompson said the afternoon had been enjoyable because it illustrated what the nation stood for: public process and public hearing. He announced that some troops were returning from Iraq the next day and invited everyone to be present to welcome them home.

Assemblymember Kiffer agreed with welcoming with the troops home. He commented herring did not appear to be stupid because they moved when they were hammered by the fisheries.

Assemblymember Harrington announced the North Tongass Fire Department was having a ribbon cutting ceremony for Station 6; there would be an open house; and then it would be followed by a public hearing on the funding process for the North Tongass Fire and EMS Service Area. He noted a letter would be coming to the Mayor and Manager about the great job done by the contractors and requested they be publicly recognized. He asked about the plans for the Mayor's Retreat.

Assemblymember Painter said he was somewhat disappointed about the lack of action on the annexation issue. He said the Assemblymembers were elected to represent the community in its entirety and said that past Assemblies had track records of asking the voters to make decisions.

Assemblymember Landis said the vote was appropriate on the annexation issue because it was such a huge issue. He said it was important to be able to say that on such and such a date the community was consulted on an issue and said yea or nay. He said the proposal going forward would be stronger through a vote of the people if they so decided. Assemblymember Landis echoed the comments by Assemblymember Thompson about the returning troops.

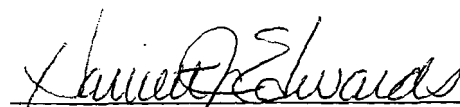
Manager Eckert said the Mayor's Retreat would be held January 27 and 28 at the Saxman Community Center. He said Friday was 8:00 a.m. to 5:00 p.m. and Saturday was 9:00 a.m. to 3:00 p.m. He said Bob St. Clair would be the facilitator of the meetings.

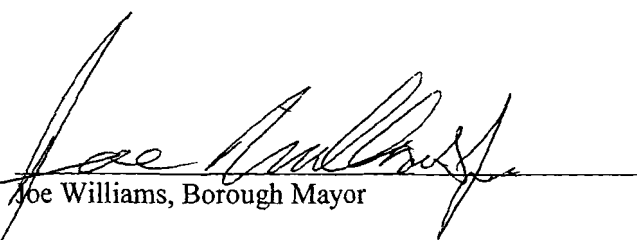
Assemblymember Sarber said information should be provided to the public prior to the election on annexation. Manager Eckert said the information had to be neutral and staff could prepare something. Assemblymember Painter said the information had to be available at the library, in the Clerk's Office, and on the Borough website. Clerk Edwards said because of absentee voting the information should be provided at least 15 days prior to the election.

Adjournment

The meeting adjourned at 4:00 p.m.

ATTEST:


Harriett Edwards, Borough Clerk


Joe Williams, Borough Mayor

APPROVED: February 6, 2006

ANNEXATION PETITION UPDATE

November 15, 2005, the Borough Assembly directed staff to prepare an annexation petition to conform to the State model boundaries.

Borough hired John Hill of Hill & Associates to prepare annexation petition.

Annexation Petition as directed by the Assembly is 95% complete.

Update Assembly and provide alternates prior to finalizing annexation petition.

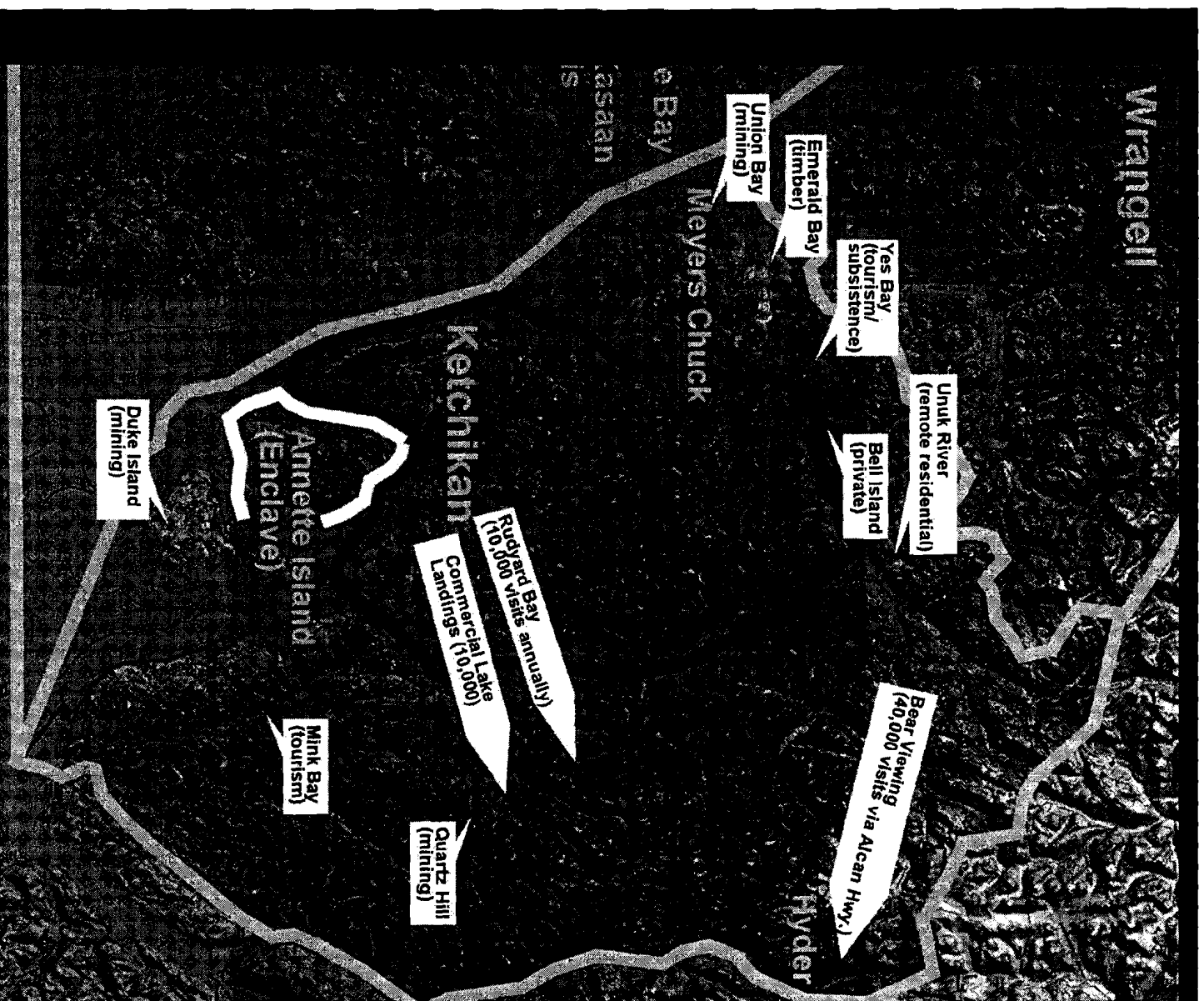
TONIGHT'S PRESENTATION

- Why expand the Borough's boundaries?
- Do Meyers Chuck and Hyder have a "community of interest" with Ketchikan?
- Can the Borough provide services to an annexed Meyers Chuck and Hyder?
- Financial data of annexation.
- Are there alternatives, such as a phased or incremental annexation?

Why Annex Now?

Support and benefit from economic development opportunities within our model borough boundaries

Protect and expand our tax base to meet costs of providing local services



Existing and Potential Development and Activities Within the Model Borough Boundaries

Model Territory Profile - 2005

Size (Existing KGB):

1,754 sq miles

Size (Area Proposed for Annexation): 4,906 sq miles

Total Area:

6,660 sq miles

Population (Existing KGB):

13,030

Population (Proposed Annexed Area): 108

Total Population:

13,138

Territorial Communities

Meyers Chuck



Hyder



Meyers Chuck



Meyers Chuck Profile (2000)

Total Population:	14
School Age Population:	0
Size:	0.8 sq. miles
Access:	Boat/Plane
Total Housing Units:	48
Occupied Housing Units:	9
Vacant Housing Units:	39 (21 Seasonal)
Median Home Value:	\$121,900
Median Household Income:	\$64,375

Hyder and Stewart B.C.



Hyder Profile (2000)

Total Population:	83
School Age Population:	17
Size:	14.8 sq. miles
Access:	Road/Boat/Plane
Occupied Housing Units:	47
Vacant Housing Units:	25 (21 Seasonal)
Median Home Value:	\$65,000
Median Household Income:	\$11,719



Hyder



Hyder



Hyder



Hyder

Resident's Objections

- No need for government services
- Desire to maintain independence
- Limited ability to pay taxes
- Prefer present service providers (i.e. SISD) or community volunteer efforts
- Want to join other boroughs (i.e. P.O.W. or Wrangell) who have rural values in common.
- Risk of personal bankruptcies and forced relocation.
- Fiscally unable to assume service area powers.

Fiscal Considerations

Revenues and Expenses

Education, Planning and Assessment

Two Revenue Estimates:

Estimate A: Forest Receipt Funding Continues

Estimate B: Forest Receipt Funding Declines

Budget Summary

Existing Borough: No Annexation

Estimate A: No Change in Forest Receipts

BUDGET SUMMARY					
Fiscal Year	'07/'08	'08/'09	'09/'10	'10/'11	
TOTAL REVENUE					
(within existing Borough)					
(Estimate A)	17,505,553	18,338,382	19,212,696	20,130,556	
(Estimate B)	17,207,652	18,037,204	18,908,205	19,822,725	
TOTAL OPERATING EXPENSES					
(within existing Borough)	17,235,305	18,062,599	18,929,606	19,838,226	
TOTAL CAPITAL EXPENDITURES					
(within existing Borough)	200,000	200,000	200,000	200,000	
BUDGET BALANCE					
(Estimate A)	70,248	75,783	83,090	92,340	
(Estimate B)	-227,653	-225,395	-221,401	-215,501	

Budget Summary

Existing Borough: No Annexation

Estimate B: Decline in Forest Receipts

BUDGET SUMMARY				
Fiscal Year	'07/'08	'08/'09	'09/'10	'10/'11
TOTAL REVENUE				
(within existing Borough)				
(Estimate A)	17,505,553	18,338,382	19,212,696	20,130,556
(Estimate B)	17,207,652	18,037,204	18,908,205	19,822,725
TOTAL OPERATING EXPENSES				
(within existing Borough)	17,235,305	18,062,599	18,929,606	19,838,226
TOTAL CAPITAL EXPENDITURES				
(within existing Borough)	200,000	200,000	200,000	200,000
BUDGET BALANCE				
(Estimate A)	70,248	75,783	83,090	92,340
(Estimate B)	-227,653	-225,395	-221,401	-215,501

Budget Summary

Annexation of Model Territory

Estimate A: No Change in Forest Receipts

BUDGET SUMMARY

Fiscal Year	'07/'08	'08/'09	'09/'10	'10/'11
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TOTAL REVENUE

(within area

proposed for annexation)

(Estimate A)	0	1,441,021	1,457,861	1,473,893
(Estimate B)	0	415,206	419,751	424,364

TOTAL OPERATING

EXPENSES

(within area

proposed for annexation)

proposed for annexation)	145,402	125,984	103,720	104,703
TOTAL CAPITAL				
EXPENDITURES	3,000	0	0	0
(within area				
proposed for annexation)				

BUDGET BALANCE

(Estimate A)	-148,402	1,315,037	1,354,141	1,369,190
(Estimate B)	-148,402	289,222	316,031	319,661

Budget Summary

Annexation of Model Territory

Estimate B: Decline in Forest Receipts

BUDGET SUMMARY

Fiscal Year '07/'08 '08/'09 '09/'10 '10/'11

TOTAL REVENUE

(within area

proposed for annexation)

(Estimate A)	0	1,441,021	1,457,861	1,473,893
(Estimate B)	0	415,206	419,751	424,364

TOTAL OPERATING

EXPENSES

(within area

proposed for annexation)

TOTAL CAPITAL

EXPENDITURES

(within area

proposed for annexation)

BUDGET BALANCE

(Estimate A)	-148,402	1,315,037	1,354,141	1,369,190
(Estimate B)	-148,402	289,222	316,031	319,661

Borough Budget Balance

Post Annexation of Model Boundaries

Estimate A: No Change in Forest Receipts

<u>FY</u>	<u>07/08</u>	<u>08/09</u>	<u>09/10</u>	<u>10/11</u>
	- 78,154	1,390,820	1,437,231	1,461,530

Estimate B: Decline in Forest Receipts

<u>FY</u>	<u>07/08</u>	<u>08/09</u>	<u>09/10</u>	<u>10/11</u>
	- 376,055	63,822	94,620	104,150

Annexation Alternatives

- Have all alternatives to annexing the entire model territory been explored?

- The LBC determined that the previous petition which excluded Hyder and Meyers Chuck was not in the state's best interest and was inconsistent with annexation standards.

- Is a phased or incremental approach to annexation possible?

Phased or Incremental Annexation

- State has allowed phased or incremental annexations.
- Phased or incremental annexations must have logical boundaries and be justifiable.
- Phased or incremental annexations should have criteria for reconsidering annexation of the excluded territory at a later date.

MEYERS CHUCK

■ Can Meyers Chuck be phased or incrementally annexed?

■ Natural geographic boundaries (such as watersheds) not as clear.

■ Strength of ties between Ketchikan and Meyers Chuck are similar to the ties between Ketchikan and other remote residential areas in the community (such as Loring and Moser Bay).

HYDER

- Can Hyder be phased or incrementally annexed?
- Existing Tongass Forest/Misty Fjord National Monument boundary exists which better meet State's natural geographic boundary requirements.
- Weaker "community of interest" exists between Hyder and Ketchikan.
- Ability for Borough to provide services is challenging.
- Stronger transportation and communication links needed for effective local governmental participation.
- Higher property values and incomes would increase community stability.



Potential Phasing in of Hyder

- 193 sq miles
- Follows National Forest Watershed
- Remains within Model Territory

Borough Budget Balance

Fiscal Comparison of Hyder Exclusion

Estimate A: Entire Model Territory

<u>FY 07/08</u>	<u>08/09</u>	<u>09/10</u>	<u>10/11</u>
- 78,154	1,390,820	1,437,231	1,461,530

Estimate A: Potential Hyder Exclusion

<u>FY 07/08</u>	<u>08/09</u>	<u>09/10</u>	<u>10/11</u>
3,277	1,328,971	1,344,437	1,367,268

Estimate B: Entire Model Territory

<u>FY 07/08</u>	<u>08/09</u>	<u>09/10</u>	<u>10/11</u>
- 376,055	63,822	94,620	104,150

Estimate B: Potential Hyder Exclusion

<u>FY 07/08</u>	<u>08/09</u>	<u>09/10</u>	<u>10/11</u>
- 294,624	51,290	52,701	61,322

What's Next

- Assembly provides direction for final draft:

- Include all model territory

- Discontinue annexation petition.

Modify petition to include a phrasing of the Hyder area.

Timelines

Legislative Review

- Final Draft to Assembly – September 6, 2005
- Hold Public Hearings – October 2005
- Submit to LBC – Mid December (45 day review period)
- Revise Draft - variable
- Return to LBC - 270 days approx.
- LBC Hearings and Action
- Review by Legislature – January 2007