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STATE OF ALASKA

THE LOCAL BOUNDARY COMMISSION

BEFORE COMMISSIONERS:

Lynn Chrystal - Chair
John Harrington
Robert Harcharek
Darroll Hargraves

MEETING WITH PUBLIC HEARING

DAY ONE

Edna Bay, Alaska

May 15th, 2014

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24
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TABLE OF CONTENTS

ADMINISTRATIVE

1. Call to order.....02
2. Roll call and determination of quorum.....02
3. Acknowledge of guests and staff present.....03
4. Approval of agenda.....04

NEW BUSINESS

1. Public Hearing
 a. LBC staff report and recommendations.....04
 b. Petitioner's opening statement (10 minutes).....05
 c. Respondent's opening statement (10 minutes).....05
 d. Petitioner's sworn witnesses' testimony.....16
 e. Respondent's sworn witnesses' testimony.....72
 f. Petitioner's responsive sworn witnesses
 testimony (30 minutes).....81
2. Public Comment Period
 1. Petitioner's closing statement (10 minutes).....88
 2. Respondent's closing statement (10 minutes)....120
 3. Petitioner's reply closing statement (5 min)...129
 4. Points of information or clarification by
 LBC staff.....132
3. Comments from commissioners and LBC staff.....134
4. Adjourn Meeting.....137

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1 MR. ENINGOWUK: Brice Eningowuk, staff. Good to see
2 you.

3 CHAIRMAN CHRYSTAL: Okay. On the teleconference site,
4 if each one of you could please identify yourself, where you're
5 calling from and please spell both your names, I guess, so we
6 can get it for the record. Just start out. We don't know
7 who's in line first, or whatever. Somebody start out and we'll
8 try to get everybody.

9 MR. BLOOD: Commission members, this is Lawrence Blood,
10 I'm from Juneau. And I spell my name B-l-o-o-d.

11 CHAIRMAN CHRYSTAL: Thank you.

12 MR. TILLINGHAST: Also here in Juneau. This is Jon, J-
13 o-n, Tillinghast, T-i-l-l-i-n-g-h-a-s-t, and I'm an attorney
14 for SeaAlaska and with me is SeaAlaska's one witness, Ron
15 Wolfe, and that's Wolfe with an "e". W-o-l-f-e.

16 CHAIRMAN CHRYSTAL: Thank you. Anybody else?

17 MR. REEVES: Yeah. This is Mike Rieves, R-i-e-v-e-s.

18 CHAIRMAN CHRYSTAL: Thank you, sir. Anybody else? No,
19 don't hear any more. So we'll go ahead and get started. For
20 those of you who don't know what the Local Boundary Commission
21 even is, we are all appointed by the governor and serve at the
22 pleasure of the governor. And we are from the four judicial
23 districts in the state of Alaska. One from each site plus an
24 at-large person. And our job of course is to do what we're
25 doing here today, whether it's a city or a borough, or whatever

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1 the case may be. So we're all volunteers. I've heard they're
2 going to double our salary next year. So two zeroes instead of
3 one. Okay. There is a sign in sheet we'll be sending around.
4 So if everybody could please sign that off and we'll get
5 started.

6 The first thing would be the approval of the agenda.
7 Could I have a motion to approve the agenda, please?

8 COMMISSIONER HARCHARAK: So moved.

9 CHAIRMAN CHRYSTAL: Okay. We have a motion by
10 Commissioner Harcharak, seconded by Commissioner Harrington, to
11 approve the agenda. All in favor say aye.

12 IN UNISON: Aye.

13 CHAIRMAN CHRYSTAL: Okay. The agenda is approved. Now
14 this is a kind of a funny little thing. It says comments by
15 members of the public concerning matters that are neither on
16 the agenda nor pending before the Commission. So this is for
17 something that has nothing to do with today. If anybody does
18 have anything to say to the Commission, this would be the time
19 to bring it up. Nobody ever does. It's always on there.

20 MR. WILLIAMS: Chair?

21 CHAIRMAN CHRYSTAL: Yes, sir.

22 MR. WILLIAMS: I removed this part of the record. It's
23 obvious that the agenda isn't going anywhere with that item.

24 CHAIRMAN CHRYSTAL: Okay. Okay. Starting out the
25 first item under the public hearing is the LBC staff report and

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1 recommendations. Mr. Williams?

2 MR. WILLIAMS: Yes, sir. And also somebody just came
3 on the line.

4 CHAIRMAN CHRYSTAL: Okay. Did somebody just come on
5 the line? Could you identify yourself, please?

6 MR. RICHARDS: George Richards.

7 CHAIRMAN CHRYSTAL: George Richards. Okay. Thank you,
8 sir.

9 MR. WILLIAMS: Well, the staff has written two reports
10 and considered all the comments that came in on the petition
11 and on the (indiscernible). And we submitted the petition and
12 of course the Commission recommend that they obviously approve
13 the petition without amendments.

14 CHAIRMAN CHRYSTAL: So nothing has changed?

15 MR. WILLIAMS: Right.

16 CHAIRMAN CHRYSTAL: Did somebody else come on the line,
17 please?

18 MS. IRRIGOO: Yes. This is Carney Irrigoo and Misty
19 Garner, G-a-r-n-e-r, in Anchorage. We are ECA staff.

20 CHAIRMAN CHRYSTAL: Okay. Thank you. Okay. The next
21 item then would be the petitioner's opening statement. And
22 this may be a 10 minute thing but you can fudge it a little bit
23 if you have to. Okay?

24 MR. GREIF: I won't take 10 minutes.

25 CHAIRMAN CHRYSTAL: Okay. I'll take you at your word.

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1 I won't even set the timer then.

2 MR. GREIF: Well, we're happy that you're here. My
3 name is Lee Griff, petitioner (indiscernible). We're happy
4 that you're here. And it's been an interesting six years. The
5 community passed a resolution to check into the idea of
6 becoming a second class city in '08, 2008. I really appreciate
7 the process. It's been tough but it was very interesting and
8 it was challenging and demanding. It was rewarding. I really
9 believe its the state giving us (indiscernible) to move
10 forward. I believe that the LBC staff has done a commendable
11 job of being thorough in their investigation of our information
12 and their review of our petition. There's really little left
13 for me to add. Everything that I have to say is in the final
14 report. Now I am here to offer you any answers to any
15 questions that you have above and beyond that, if I'm able.

16 CHAIRMAN CHRYSTAL: Okay.

17 MR. GREIF: I would like to ask you to allow me to talk
18 to my witnesses if there is an issue that they're more informed
19 than I am on it for your questions.

20 CHAIRMAN CHRYSTAL: Okay.

21 MR. GREIF: That's all I have to say.

22 CHAIRMAN CHRYSTAL: Thank you, sir. Anybody have any
23 questions?

24 COMMISSIONER HARCHARAK: Yeah.

25 CHAIRMAN CHRYSTAL: Commissioner?

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1 COMMISSIONER HARCHARAK: This is Commissioner
2 Harcharak. You talk about six-shooters (ph). I don't care
3 what's written in the paper, I want to know why does this
4 community want to be a city, from your point of view.

5 MR. GREIF: There's many who don't and there's more who
6 do. And from my opinion it's so that we can be able to, as a
7 group of people who are separated from the rest of the world by
8 you know what since you tried to get here for a day, to be able
9 to represent ourselves in legal issues. Primarily that's the
10 reason. As an unincorporated community we do not have any
11 legal status whatsoever with the state and federal governments,
12 or agencies that issue grants -- most grants. Grants that will
13 deal with the situations that we have that we can't deal with
14 such as the bridge and the dock. Those are the two primary
15 issues that we struggle with right now. And so I believe that
16 the majority of the people here have an interest in growing.
17 We see that oddity in a brand new pay phone to the brand new
18 multi million dollar dock and that's going to just bring the
19 world closer to us. And without a decent dock we can't service
20 those people who will eventually come out here. So that's the
21 primary reasons. The docks and the bridges. And to be able to
22 represent ourselves with the different agencies of the state.

23 COMMISSIONER HARCHARAK: Thank you.

24 CHAIRMAN CHRYSTAL: Do you have a question,
25 Commissioner?

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1 COMMISSIONER HARGRAVES: Yes. I'm interested in the
2 passage of that resolution. How was that done by the
3 community? A secret ballot, or how did you arrive that it
4 passed?

5 MR. GREIF: It was an open raise your hand -- a
6 scheduled community meeting that was addressed beforehand.

7 COMMISSIONER HARGRAVES: Well, what was the vote, do
8 you recall?

9 MR. GREIF: I can't remember what the vote was but I
10 think it was almost unanimous because there was not that much
11 political polling back and forth at that time.

12 COMMISSIONER HARGRAVES: Fine. Thank you.

13 CHAIRMAN CHRYSTAL: Anybody else have any questions?
14 Okay. Thank you, sir. Okay. The next item is going to be the
15 respondent's opening statement. This will be a telephonic
16 thing. Is the respondent there, please? Ten minutes for an
17 opening statement.

18 MR. TILLINGHAST: We are, Mr. Chairman. First, thank
19 you for letting us participate telephonically. I allow that
20 after your adventures yesterday I think I should say thank you
21 very much for allowing to participate telephonically. I will
22 tell you I've never had the privilege of being to Edna Bay and
23 I always like to take the opportunity to go somewhere new and
24 different in this beautiful state of ours, and I do miss that
25 yesterday's situation notwithstanding.

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1 At the outset I'm going to I'm going to lead with the
2 question of why we're here. In other words, why we're opposing
3 this petition. We being SeaAlaska. To my knowledge we just
4 have one witness who will testify later. My opening statement
5 will be from a lawyer's perspective, which is what I am. I
6 want to talk for a minute about the (indiscernible) potential
7 side of this controversy. I'm going to leave the opening
8 statement to my assessment, our assessment of where we think
9 the record leads us on this petition.

10 Just from a lawyer's perspective one of my biggest
11 concerns is the staff reports failure to follow the
12 commission's own precedents. My feeling is that if an agency
13 doesn't apply its own rules in a consistent manner it's going
14 to at least appear arbitrary and it may end up becoming
15 arbitrary in fact. In this case, for example, I would expect
16 if you grant this petition the folks are not going to believe
17 that such a decision was arbitrary. Because they'll believe,
18 like we believe, that (indiscernible) and this case share the
19 same fundamental flaw. And in our mind that flaw is this.
20 That in the petition reliance on state and federal aid programs
21 constitutes 97 percent of the petition's proposed revenues
22 while reliance on willful taxation accounts were zero percent
23 of those revenues. And the residents of Naukati is that this
24 scenario is a recipe for insolvency and that's for two reasons.
25 First, it's fiscally irresponsible. In Naukati the petitions

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1 really rely heavily on payments of road taxes as a road
2 funding. Here the petitioners are relying almost entirely on
3 state revenue sharing, unlike Naukati, and if you look at the
4 brief of both the petitioners and the report can see that the
5 features of both of those sources of funding is uncertain.

6 Now in Naukati this commission concluded, and I'm
7 quoting, it is unduly risky to rely on -- totally on federal
8 receipts for road work in a political climate, and government
9 assistance. We have repeated that same findings for
10 (indiscernible). Now, Mr. Chair, that was said in 2006, which
11 was before the Great Recession, it was before sequestration, and
12 it was before the kind of budget cuts that we've had to face
13 here at the state level.

14 The second reason that this is a recipe for insolvency
15 is that refusing to take any local taxes signals a lack of
16 local long term commitment to maintaining a viable city
17 government. Now, Naukati, if you look at the decision, public
18 comment weighed in against any sales or property taxation.
19 Here it's even more severe. The petitioners have outright
20 declined to assess a property or sales tax and have not
21 provided the commission with the information on which the
22 commission could figure out for itself how much could be raised
23 by a property or sales tax.

24 I want to read a quote from the final report, the final
25 staff report in Naukati. And it's a couple of sentences, so

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1 bear with me. The Department of Commerce said this, quote,
2 nearly 90 percent of Alaskans currently live within municipal
3 governments that rely upon municipal property taxes to support
4 local services. Others live in municipal governments that at a
5 minimum rely on sales taxes to fund local government. In this
6 era of demands by some state policy makers for greater local
7 responsibility, Congress concludes that a property tax, a
8 general sales tax, is necessary if Naukati residents wish to
9 pursue city incorporation.

10 Now that philosophy had nothing to do with any
11 peculiarities about Naukati. It was simply a universal
12 applicable statement of conservative fiscal policy. And with
13 respect to the uncertainty of relying entirely -- essentially
14 entirely on federal and state aid, if there's been any change
15 in the unreliability of outside funding for 2006, it's that the
16 situation has gotten worse.

17 Now if the staff responds to all of this by saying in
18 part that well, standards change, meaning the Naukati standards
19 changed. And, you know, that's true. Statutes and regulations
20 could change after there's been a transparent public debate on
21 the wisdom of doing that. But the statutes and regulations
22 interpreted in Naukati haven't changed in any material respect.
23 So if you folks have decided to abandon the lessons in Naukati,
24 we'd respectfully submit that you need to explain why even
25 after the Great Recession, one, future aid payments from other

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1 government have become more reliable and more predictable than
2 they were in 2006, and two, refusing to invest any of your own
3 money is no longer an indicator of a lack of commitment to the
4 enterprise. And since in my mind the outcome of that debate is
5 pretty predicable, we'd urge you to focus on the two legal
6 standards, including the Naukati Decision, that we think should
7 be a focus of this hearing. One is what are the essential
8 municipal services that a new City of Edna Bay wouldn't much
9 perform, and two, where are the locally generated sources of
10 revenue to add in to fund those functions?

11 I'll comment on the answer to those questions in my
12 posted statement. So that ends the opening. Obviously I'm
13 here for any questions you folks might have at this point.

14 CHAIRMAN CHRYSTAL: Okay. Thank you, sir. Any
15 questions? Okay. Hearing no questions, thank you. I'm sorry,
16 just a second, please.

17 COMMISSIONER HARCHARAK: This is to the respondent. In
18 reference to Naukati, how did they get their road -- how did
19 they -- where did they get the funds for the road that -- the
20 beautiful road that we see out of the plane if they're not a
21 second class city?

22 CHAIRMAN CHRYSTAL: Did you hear the question okay?

23 MR. TILLINGHAST: Yeah, I heard the question okay. I
24 think that the issue with Naukati is not whether there was a
25 need for a local government. The issue in Naukati was whether

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1 they had the resources to fund a local government the way the
2 petition was structured. And the commission said no, they
3 didn't have the resources unless they authorized the imposition
4 of a sales or a property tax. So it was not a question of
5 need. And I don't think we're saying it's a question of need
6 here either.

7 CHAIRMAN CHRYSTAL: Does that answer your question?

8 COMMISSIONER HARCHARAK: No. That didn't quite answer
9 the question. It sort of told me what I already know. My
10 question was if Naukati did not get approved to be a second
11 class city, how did they get the road built with state funds?

12 MR. TILLINGHAST: Well, I don't know whether you're
13 focusing on all of the -- whatever roads there may be in the
14 larger geographic area that they're trying to incorporate, or
15 whether you're focusing on the road and the bridge that is
16 apparently in need of repair. And with respect to the road
17 that's in need of repair, that's a state road. I, for the life
18 of me, do not understand why the state hasn't acknowledged
19 that. Because the land on which that road is located was
20 deeded from the Forest Service to the state, as part of the
21 Statehood Act. And they did not reserve -- the Forest Service
22 did not reserve an easement for a road where that road is
23 located. So if you get a deed to a piece of property that
24 doesn't have an easement on it, there is no easement. So that
25 road is not a Forest Service easement. That road is on state

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1 land and the state is responsible for maintaining it. And the
2 state can maintain it whether they're a city or not.

3 CHAIRMAN CHRYSTAL: That really wasn't the question.
4 The question was in your knowledge, do you know how Naukati got
5 that road paved over there, or whatever it is? I don't know
6 exactly where the road runs. Because they were not a second
7 class city, how did that road get paved and who paid for it?

8 MR. TILLINGHAST: Most of the roads in Naukati, other
9 than the one I just described, are Forest Service roads. But
10 with respect to -- Ron is telling me -- Ron, do you want to --
11 the question -- if it's a question of the original construction
12 of that -- are we talking about the road in what I'll call
13 downtown Naukati, the one that needs repair? Am I
14 understanding your question correctly?

15 CHAIRMAN CHRYSTAL: I'm not really sure, to tell you
16 the truth. Commissioner Harcharak?

17 COMMISSIONER HARCHARAK: There's the one that needs
18 repair and the road that was built. The paved road that we
19 see.

20 MR. TILLINGHAST: With your permission, in terms of the
21 history of that, I'm going to ask Ron Wolfe to answer that.

22 CHAIRMAN CHRYSTAL: Okay. It's really not your
23 responsibility to know the answer to this question. I think it
24 was asked just in case you did know.

25 MR. TILLINGHAST: I think Mr. Wolfe does know.

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1 CHAIRMAN CHRYSTAL: Okay.

2 COMMISSIONER HARCHARAK: It was asked if you know,
3 because in your respondent's brief you did focus on it. And it
4 would be very pertinent to what we're needing to decide today.

5 MR. TILLINGHAST: Mr. Wolfe?

6 MR. WOLFE: Yes. Commissioner Harcharak, is that the
7 correct pronunciation?

8 COMMISSIONER HARCHARAK: Harcharak.

9 MR. WOLFE: Harcharak. Okay. I'm going to try. You
10 broke up just a little bit on that but let me respond by saying
11 that the paved road project is a Forest Service road and it's
12 my understanding that that is being funded by federal highways.
13 Those projects have occurred elsewhere on Prince of Wales
14 Island. Fixed (indiscernible) Highway, the road to Coffman
15 Cove, the road over to Thorne Bay and so forth. Now then -- so
16 that's -- I guess I would characterize this as the access road
17 outside of the community of Naukati. With respect to the roads
18 in Naukati proper, if there is such a thing, I guess I'm not
19 sure about those and so I don't really want to offer any
20 testimony that I'm unsure of. You might say we didn't come
21 prepared to answer that question.

22 CHAIRMAN CHRYSTAL: Okay. Thank you, Mr. Wolfe.
23 Anything else from the commissioner?

24 COMMISSIONER HARCHARAK: That's it.

25 CHAIRMAN CHRYSTAL: Okay. Thank you, sirs. I think

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1 there might have been a couple more people join the line while
2 we've been talking here. If anybody new has come on the line
3 in the last few minutes would you please identify yourself?

4 MR. BEEBE: Hi. Dave Beebe from Petersburg.

5 CHAIRMAN CHRYSTAL: Would you spell your last name,
6 please?

7 MR. TOWNE: Jay Towne.

8 CHAIRMAN CHRYSTAL: Okay. Could you spell your last
9 names, please, for the record?

10 MR. BEEBE: I'll spell it phonetically. Bravo, Echo,
11 Echo, Bravo, Echo.

12 CHAIRMAN CHRYSTAL: Thank you.

13 MR. BEEBE: And representing the City of Kupreanof.

14 CHAIRMAN CHRYSTAL: Anybody else?

15 MR. TOWNE: Jay Towne. I'm a resident of Edna Bay.

16 CHAIRMAN CHRYSTAL: Okay. Anybody else?

17 MR. ERICKSON: Richard Erickson, E-r-i-c-k-s-o-n,
18 (indiscernible).

19 CHAIRMAN CHRYSTAL: Thank you. Anybody else? Okay.
20 Thank you. All right. At this time we're at the petitioner's
21 sworn witness testimony. And we have our witness list here.
22 And that witness will come forward and be sworn in. Mr.
23 Williams will do the honors. Lawrence Blood is the first
24 witness.

25 MR. BLOOD: Mr. Chairman, this is Lawrence Blood. I'm

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1 on teleconference.

2 CHAIRMAN CHRYSTAL: Okay. In a second here Mr.
3 Williams will swear you in as a witness, please.

4 MR. WILLIAMS: Lawrence Blood, please raise your right
5 hand. Do you swear to tell the truth, the whole truth and
6 nothing but the truth?

7 MR. BLOOD: I do.

8 MR. WILLIAMS: Thank you.

9 CHAIRMAN CHRYSTAL: Go ahead, Mr. Blood.

10 LAWRENCE BLOOD

11 testified as follows:

12 MR. BLOOD: Mr. Chairman and Commission members, I want
13 to thank you for allowing me to speak today by teleconference.
14 Again my name is Lawrence Blood and I'm a Department of
15 Commerce Community & Economic Development employee as a local
16 terminal specialist V with the Division of Community and
17 Regional Affairs. I want to first stress that I am not
18 speaking from any official department or division's position.
19 I'm strictly providing my own opinions based upon my own
20 personal impressions and observations as I've worked with the
21 unincorporated community of Edna Bay and the Edna Bay Community
22 Association for approximately the past eight years.

23 I'm honored that the petitioner's have asked me to
24 speak today concerning my opinion on their ability to run a
25 local municipal government and their ability to efficiently

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1 deliver municipal services. My testimony today will be brief
2 and limited to these two points, however I do not want anything
3 that I say or anything that I do not say to give the commission
4 any other impression than everything has my full confidence
5 that the community possesses the human resources necessary to
6 self govern themselves and provide the intended municipal
7 services on an efficient basis.

8 In the last eight years I've had many contacts and
9 worked with the community and community association in several
10 different capacities. I was first the regional local
11 government specialist assigned to assist the community in their
12 efforts to provide essential public services. It is well known
13 that DCRA was created to assist the local government in
14 exercising their municipal powers which is primarily
15 accomplished with the routine community contacts with their
16 assigned local government specialist. Furthermore, the Edna
17 Bay Community Association is not at this time a local
18 government, DCRA recognizes that in many rural Alaska
19 communities the local community non-profit association is the
20 only entity that has the capability to provide these municipal
21 type services. In many cases the local non-profits do a better
22 job than others. However, any community non-profit providing
23 the necessary and wanted public services without the vested
24 powers or status of being a local government has a challenging
25 task, especially in the terms of authority and financial

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1 resources.

2 In my experience why some community non-profits do
3 better than others in providing public services is solely in
4 the their willingness to operate as if they were a local
5 government. Successful community non-profits described here in
6 Title X, Chapter 20, the Alaska Non-Profit Corporation Act,
7 hold election, have regular open public meetings, and will
8 fully identify whatever public services and follow through with
9 finding ways to provide these public services and a level of
10 service that is appropriately scare for that individual
11 community. Another indication that a community association
12 will be successful in providing public services is their
13 willingness to seek out advice, assistance and training
14 necessary. In my opinion everybody has done very well in all
15 of these aspects and it's a strong indication that these traits
16 will be translated into a future local government.

17 One experience I'd like to share with the commission is
18 the community's ongoing effort to provide bulk fuel as an
19 essential public service. Back in 2008 I began my involvement
20 with the community. I was notified that Edna Bay was
21 experiencing difficulty in having motor and home heating fuel
22 delivered. The community had historically purchased fuel from
23 Prince of Wales Island that was then transported to the
24 community by fuel truck and a landing craft. This meant that
25 the fuel delivery worked well for the community but ended when

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1 the U.S. Coast Guard started passing regulations that
2 prohibited the use of an uncertified landing craft. This left
3 the community without any safe or reliable heating fuel
4 delivery. The community was then forced to search for a long
5 term solution in what could only be described by the fuel
6 prices became a threat to the community and their way of life.
7 Even with all the limitations and challenges of being a non-
8 profit the community association set out to find a solution
9 with the ultimate goal of building a community fuel facility
10 that was capable of receiving routine deliveries. I think
11 saying that the community association had challenges is an
12 understatement. Their early years in this effort were very
13 rocky. The community association had to hold public meetings
14 to build consensus within the community and articulate the
15 needs for this proposed facility. They had to obtain the
16 technical knowledge on how to build and operate a public
17 utility. They had to learn how to navigate state and federal
18 bureaucracies surrounding funding, designing, permitting and
19 site control that are all part of building this kind of
20 project.

21 It took them five years of hard work and a lot of
22 persistence and tenacity, but I'm happy to report that there's
23 light at the end of the tunnel. From a recent conversation
24 that I had with the Alaska Energy Authority the site controls
25 are almost finalized, the project is nearing a hundred percent

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1 design with hopefully construction sometime this summer. The
2 AEA staff member that I talked with recognized the leadership
3 within the community for the progress on the project.

4 In my current capacity I'm the manager for the
5 community aid and accountability section within the Division of
6 Community and Regional Affairs. I work with the municipalities
7 of unincorporated communities to ensure that they meet minimum
8 statutory regulatory requirements to receive community
9 financial aid funding. Unincorporated communities such as Edna
10 Bay must meet those requirements to receive community tagged
11 funds, including being in good standing with the Division of
12 Corporations, Business & Professional Licensing, holding open
13 public meetings for citizens to discuss the use of public
14 funds, and then the actual reporting of the actual use of
15 general funds. A review of the past use of funds shows that
16 the community association has allocated the majority of the
17 blended financial resources to purposes that are very similar
18 to the services proposed in the incorporation petition,
19 including EMS, fire, road maintenance, harbors, post office and
20 library services. I believe a search provides a good track
21 record in the community providing the proposed services. It is
22 also important to know that the current level of funding that
23 Edna Bay currently receives is only a fraction of what they
24 would receive as a second class city, thus enhancing their
25 ability to provide their intended public services once they

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P.O. Box 100464
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1 become incorporated.

2 Another important indication that could be gained from
3 my dealing with Edna Bay is their administrative capacity in
4 handling state grants and financial aid programs. In addition
5 to meeting minimum program requirements they must hold the
6 public meetings and prepare annual reporting of applications
7 that are submitted to the department prior to the application
8 deadline. The Edna Bay Community Association in the last six
9 years has always met the requirements and submitted the
10 necessary reporting and applications long in advance of any
11 program deadline. I know this may not sound like a notable
12 achievement but when you compare this administrative
13 functioning with other recipient communities you can see the
14 significance. As of today we are 16 days away from the
15 community revenue sharing application deadline. And they
16 currently have 58 municipalities and 38 unincorporated
17 communities that have either not met the minimum requirements
18 or applied for the program yet. My staff and I spend a
19 significant amount of time in encouraging and assisting
20 communities meet these requirements before the June 1st
21 deadline. Edna Bay has never been on this list of communities
22 needing the intensive help.

23 Commissioners, I want to close by saying that it has
24 been a true pleasure working with the community of Edna Bay. I
25 want to thank you for your time and I'd be happy to entertain

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1 any questions.

2 CHAIRMAN CHRYSTAL: Thank you, Mr. Blood. Does anybody
3 have questions for Mr. Blood? Okay. I don't think so. Oh,
4 I'm sorry, did you have one?

5 COMMISSIONER HARCHARAK: Mr. Blood, in your
6 presentation you used both terms, human resources and financial
7 resources. And they are remarkable, I guess is a good word to
8 use for human resources. And everything I've read and
9 everything I see the human resources is definitely this
10 community's strongest asset. My concern is the financial
11 resources. Toward the end of your presentation you made a
12 comment that Edna Bay has never applied or been on this list
13 for this type of funding. So could you elaborate a little bit
14 on how the funds were acquired for this bulk fuel project?

15 MR. BLOOD: Yes, sir, I can speak to it. Chair, I
16 first want to agree with the commission member's statement that
17 the human resources is one of their strongest assets. I've
18 always been very impressed by the core of leadership within the
19 community to carry out some very difficult projects. And as
20 far as the funding for the bulk fuel facility, I believe that
21 is being funded through Alaska Energy Authority.

22 COMMISSIONER HARCHARAK: Thank you.

23 CHAIRMAN CHRYSTAL: Any other questions? Okay. Thank
24 you, Mr. Blood.

25 MR. BLOOD: Yes, sir.

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1 CHAIRMAN CHRYSTAL: The next witness will be Larry
2 Dunham. He didn't make it?

3 UNIDENTIFIED VOICE: He sent an email. He couldn't get
4 to the teleconference.

5 CHAIRMAN CHRYSTAL: Okay. And the next person is
6 Heather Richter.

7 UNIDENTIFIED VOICE: We have a statement from Mr.
8 Dunham. Mr. Dunham sent a statement for his testimony because
9 he wasn't sure if he could be available.

10 CHAIRMAN CHRYSTAL: I think we can accept the written
11 statement, can't we? Or can't we?

12 MR. WILLIAMS: There is something there that -- per 3
13 AAC 110.550.....

14 CHAIRMAN CHRYSTAL: He's a lawyer. What can we do?

15 MR. WILLIAMS: A petition (indiscernible) or other
16 evidence may be introduced at the time of the public hearing
17 unless the commission determines that good (indiscernible)
18 exists for that evidence not being presented in a timely manner
19 by the respondent or the petitioner, or by considerations in
20 the reports of the department under said reference (ph). So
21 whether it's introduced or not -- it can't be introduced unless
22 you find a good cause exists.

23 COMMISSIONER HARCHARAK: Mr. Chairman, this is
24 Commissioner Harcharak. I'd recommend that it be presented and
25 we go forward with it.

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1 CHAIRMAN CHRYSTAL: I believe there is good cause for
2 the reason he could not -- it wasn't through his fault that he
3 couldn't contact us.

4 MR. WILLIAMS: Understood, Chair. But do the
5 commissioners want to have a motion?

6 CHAIRMAN CHRYSTAL: Commissioner Harcharak, would you
7 like to make a motion?

8 COMMISSIONER HARCHARAK: I'll put that in a motion that
9 we allow the testimony of.....

10 CHAIRMAN CHRYSTAL: Mr. Dunham.

11 COMMISSIONER HARCHARAK:Mr. Dunham. That it be
12 presented because not through his fault he was unable to
13 attend.

14 CHAIRMAN CHRYSTAL: Okay. Second? Do we have a second
15 to that motion?

16 COMMISSIONER HARRINGTON: Second.

17 CHAIRMAN CHRYSTAL: Second by Commissioner Harrington.
18 All in favor?

19 COMMISSIONER HARRINGTON: Just a second.....

20 CHAIRMAN CHRYSTAL: Oh, we have a question down here.
21 Commissioner Harrington?

22 COMMISSIONER HARRINGTON: What we're dealing with is
23 sworn testimony. Is there any way to reach this gentleman to
24 get him to swear in so that the document can be considered
25 sworn testimony?

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P.O. Box 100464
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1 UNIDENTIFIED VOICE: I can try to call him.

2 MR. WILLIAMS: There is no way to swear that person in.

3 COMMISSIONER HARRINGTON: I was just thinking if
4 there's some way that we can accept it, double-check that he
5 gets sworn in somehow before the end of this thing so we can
6 consider it as sworn testimony.

7 MR. WILLIAMS: He would need to be sworn in at the time
8 actually before submitting it. It is evidence they are
9 introducing into the record. So the nature of the discussion,
10 there should be time for public discussion. Clearly he is not
11 on the phone.

12 CHAIRMAN CHRYSTAL: Clearly what?

13 MR. WILLIAMS: Other than being on the phone, sir.

14 CHAIRMAN CHRYSTAL: Okay.

15 MR. WILLIAMS: In case anyone has a concern about this.

16 CHAIRMAN CHRYSTAL: Okay. Does anybody have concern
17 about accepting this testimony because the gentleman couldn't
18 be here? And couldn't get on the phone either.

19 UNIDENTIFIED VOICE: It was sent by email.

20 CHAIRMAN CHRYSTAL: I'm not sure. We're trying to do
21 that if we can. Can we hold this until the end of this witness
22 list? Can we hold this and then if we can get a hold of this
23 gentleman and have him sworn in, or whatever. Okay. Do you
24 agree with that, Commissioners? So we just wait until the end
25 of the witness list.....

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P.O. Box 100464
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1 COMMISSIONER HARRINGTON: So we can hold on to that --
2 so we will table this last motion until the end of the.....

3 CHAIRMAN CHRYSTAL: Right. So do I have a motion to
4 table?

5 COMMISSIONER HARRINGTON: I move.

6 COMMISSIONER HARCHARAK: Second.

7 CHAIRMAN CHRYSTAL: Okay. We have a motion for
8 tabling. We don't discuss tabling. It's faster. All right.
9 The next -- did somebody else just join the line? Every time
10 you hear that little ding somebody is either coming on or going
11 off. Okay. The next person then is Heather Richter. And so
12 step forward and be sworn in.

13 MR. WILLIAMS: Ms. Richter, please raise your right
14 hand.

15 (Witness Sworn)

16 MS. RICHTER: I do.

17 HEATHER RICHTER
18 testified as follows:

19 MS. RICHTER: Good afternoon, Honorable Commissioners
20 and staff. I'm Heather Richter, the community's president. I
21 have been serving the community for the past 13 years and have
22 been living in Edna Bay since 1992. What I'd like to talk
23 about today is where we were as a community, where we are now
24 as a community, and where we see ourselves heading as a
25 community and what I believe our community possible future is.

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1 As with many of these small communities fostered into
2 existence by the state settlers purchased lots and began the
3 process of settling the area. Building their homes and carving
4 out ways of making a living and subsisting off the land. Most
5 built homes by hauling everything on their backs to locations
6 that had no roads.

7 UNIDENTIFIED VOICE: Mr. Chairman, I'm loathe to
8 interrupt, but we.....

9 CHAIRMAN CHRYSTAL: Yes, sir?

10 UNIDENTIFIED VOICE:can't hear Ms. Richter.
11 She's cutting out.

12 CHAIRMAN CHRYSTAL: I turned the volume down just a
13 little bit because it was so scratchy. Let me turn this thing
14 and see if you can pick it up better. Okay. Try again.

15 MS. RICHTER: Okay. So -- I'll back up a little bit.
16 As with many of these small communities fostered into existence
17 by the state, settlers purchased lots and began the process of
18 settling the area, building their homes and carving out ways of
19 making a living and subsisting off the land.

20 CHAIRMAN CHRYSTAL: I'm sorry, could you stop just for
21 a second? This thing is so scratchy we can't -- can you hear
22 any better than you did earlier? Can you hear any better than
23 you did earlier? Is anybody there? Have we lost them
24 completely? Hello? Does anybody hear me? Let's take a.....

25 UNIDENTIFIED VOICE: We are at this point hearing

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ANCHORAGE, ALASKA 99501

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1 nothing.

2 CHAIRMAN CHRYSTAL: Okay. We've got -- Okay. We're
3 going to take about a five minutes recess here until we can see
4 if we can clear this up.

5 MR. ENINGOWUK: This is Brice. I'm going to hand up
6 and call again, if that's all right.

7 CHAIRMAN CHRYSTAL: Okay.

8 (Off record)

9 (On record)

10 CHAIRMAN CHRYSTAL: Okay. We'll call the meeting back
11 to order. I think we got our communications somewhat fixed at
12 this time anyway. And let's just go ahead and start over
13 again. Heather Richter has been sworn in so she's ready to go.
14 And I think we're ready to go.

15 MS. RICHTER: All right. Shall I start my testimony
16 again?

17 CHAIRMAN CHRYSTAL: Yeah, would you, please?

18 MS. RICHTER: Sure. No problem. Okay. Good
19 afternoon, Honorable Commissioners and staff. I'm Heather
20 Richter, the community's president. I've been serving the
21 community for the past 13 years and have been living in Edna
22 Bay since 1992. What I would like to talk about today is where
23 we were as a community, where we are now as a community, and
24 where we see ourselves heading as a community, and what I
25 believe our community's possible future it.

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1 As with many of these small communities fostered into
2 existence by the state, settlers purchased lots and began the
3 process of settling the area, building their homes and carving
4 out ways of making a living and subsisting off the land. Most
5 built homes by hauling everything on their backs to locations
6 that had no roads. There also were no phones in those days and
7 the only communication were VHS radios. These settlers were
8 true pioneers and faced many hardships. Some of those original
9 settlers are in this room today.

10 In the time that I've lived here and volunteered within
11 the community of Edna Bay I have seen a lot of change and
12 growth within the community. It has had its growing pains but
13 has come a long way from its inception. The community has
14 developed local infrastructure and services that include roads,
15 bridges, components of a harbor facility and a grid for boats,
16 EMS, search and rescue, postal service, a volunteer fire
17 department. It has recently added a public (indiscernible) at
18 the dock for public safety and convenience of residents and
19 visitors alike. Edna Bay also hosts a local fish and game
20 advisory board and a fisheries corporation which manages the
21 community's charter halibut permits. All of these things are
22 part of this community's continued growth.

23 I believe that the past 30 years history of Edna Bay
24 has demonstrated the community's ability to effectively plan,
25 construct and manage community assets. Our history shows

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P.O. Box 100464
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1 dedication, determination and reliability, and I believe that
2 our history does speak for itself. I also believe that
3 becoming a municipality isn't solely about being eligible for
4 increased funding streams but more importantly it's about
5 having the legal status to be able to facilitate the needs of
6 the community. It's about being able to work with the state
7 and federal governments on a level that will allow us to
8 address issues and hurdles that we can't address in our current
9 legal status. And it's about the community being recognized to
10 legally represent itself.

11 I do agree that the added revenue will be beneficial to
12 this community, but more importantly the change in legal status
13 which will allow the city to address important infrastructure
14 issues is really what should be considered. The community has
15 seen times of limited revenue such as when the revenue sharing
16 was interrupted from 2004 to 2007. During those times of
17 limited revenue the community didn't fold and cease operation
18 because of hardship. Instead it banded together and made do.
19 The people stepped in and helped out. Services were cut back
20 to bare minimums. In essence, we buttoned down the hatches per
21 se, and we weathered the storm.

22 A prime example of our ability to self sustain in times
23 when the community lacked sufficient funding due to the loss of
24 revenue sharing, the community used some ingenuity and the
25 people elected for a voluntary donation in order to sustain our

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1 essential postal services. I believe this demonstrates the
2 culture of the people and the ability of Edna Bay to prevail
3 during times of limited funding. And I think what's important
4 to note is that we persevered, came through the tough times and
5 continued on.

6 From its inception Edna Bay has operated on a limited
7 budget. We have faced funding challenges from the very start
8 of our community, but with careful management we have not only
9 been successful in managing that infrastructure but also in
10 gaining a fund surplus. We have no long term liabilities and
11 are in good standing with every entity that we deal with.

12 In regards to our future I believe the municipal
13 incorporation is the next logical step for the community. Not
14 just because of increased funding that would be available but
15 more importantly because without incorporation we cannot
16 adequately address some of our current issues and even less,
17 future ones. We have repeatedly seen through out interactions
18 with state and federal agencies, and working with the AEA on
19 the community's bulk fuel facility, the need for enhanced form
20 of government. While taking this next step it is imperative to
21 maintain our independence and preserve the culture, quality and
22 lifestyle that Edna Bay provides for its residents because of
23 its unique situation and location. I feel that maintaining our
24 self governance is paramount to the spirit of Edna Bay and that
25 annexation to any city or borough would not better facilitate

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P.O. Box 100464
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1 the needs of Edna Bay. In a reality, I feel that it would
2 negate all of the hard work that this community has
3 accomplished over the last 30 years, and would not allow us to
4 maintain the lifestyle and infrastructure that we currently
5 enjoy. Thank you for your time and the consideration given to
6 my testimony.

7 CHAIRMAN CHRYSTAL: Thank you, Ms. Richter. Any
8 questions?

9 MR. WILLIAMS: Chair Chrystal, this is Brent Williams.
10 We might want to make sure that the respondent heard all of
11 that from the beginning.

12 CHAIRMAN CHRYSTAL: Yeah. I'm just making sure we --
13 do we have any questions here? Did you guys out in telephone
14 land hear everything there?

15 UNIDENTIFIED VOICE: (Indiscernible - static).

16 MR. DUNHAM: This is Larry Dunham. I just called in
17 from Petersburg. I could hear it fine.

18 CHAIRMAN CHRYSTAL: Okay. Anybody else hear it okay?
19 How about the respondents?

20 UNIDENTIFIED VOICE: Yeah, Mr. Chairman, we heard it
21 perfectly. The new phone line works like a wonder, and thanks
22 very much for making the effort.

23 CHAIRMAN CHRYSTAL: All right. It's nice when a plan
24 comes together.

25 UNIDENTIFIED VOICE:Observer from Hollis. Sounds

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P.O. Box 100464
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1 great.

2 CHAIRMAN CHRYSTAL: Okay. Thank you. I was just
3 handed, and I heard him on there. Mr. Dunham is on the line.
4 How does that work? Can we swear him in on the phone?

5 MR. WILLIAMS: Yes, we can, sir.

6 CHAIRMAN CHRYSTAL: Do we know who it is then just by
7 his voice or.....

8 MR. WILLIAMS: I've talked with him before and all.
9 But I think we just take -- we don't necessarily know that
10 someone in the room is who they say they are. In this big a
11 crowd they could say they're somebody else. So he can be sworn
12 in and that is part of -- when he says who he is that's part of
13 his sworn in testimony.

14 CHAIRMAN CHRYSTAL: Okay. Well, since we passed over
15 him the first time, Mr. Dunham, are you ready to be sworn in
16 and testify?

17 MR. DUNHAM: Yes, I am.

18 CHAIRMAN CHRYSTAL: Okay.

19 MR. WILLIAMS: Larry Dunham, please raise your right
20 hand.

21 (Witness sworn)

22 MR. DUNHAM: Yes, I do.

23 MR. WILLIAMS: And that you are Larry Dunham?

24 MR. DUNHAM: Yes, I am.

25 MR. WILLIAMS: Thank you.

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P.O. Box 100464
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1 CHAIRMAN CHRYSAL: Okay. Go ahead, Mr. Dunham,
2 please.

3 LARRY DUNHAM
4 testified as follows:

5 MR. DUNHAM: Yeah. I've written a statement and I
6 believe you folks have it there in front of you. And I will
7 just read from that for you. This is a witness statement from
8 Larry Dunham, engineering staff officer for the Tongass
9 National Forest. I'm addressing the State of Alaska Local
10 Boundary Commission as a representative of the United States
11 Forest Service, Tongass National Forest.

12 As stated I am the engineering staff officer for the
13 Tongass National Forest and have been in that role since 2000.
14 In my position I am responsible for all of the transportation
15 infrastructure on the Tongass, including coordination of
16 transportation systems maintenance and development within the
17 community, tribal organizations and state and federal agencies.
18 Included in that network is the transportation network on
19 Causeuskal (ph) Island. In my role with the Forest Service I
20 have pursued numerous opportunities to secure funding to
21 improve the access from east Edna Bay to west Edna Bay, through
22 the subdivision, for over 10 years now to no avail. There is a
23 new public entity in place in Edna Bay with authority to grant
24 great use permits or easements for the use of the road. There
25 is no mechanism by which the Forest Service or any other agency

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 can extend appropriated funds or secure external grants or
2 external agency funding to improve the road. Due to failing
3 long standing bridges access through the subdivision will
4 become impassable in the near future. When this occurs access
5 to the school, harbor facilities, fuel, aviation transport and
6 the ability to reach medical support will be significantly
7 restricted at multiple locations through the subdivision. when
8 this occurs it will severely impact the ability for the
9 community to function. The Forest Service recognizes and fully
10 supports the opportunity for the community of Edna Bay to
11 become incorporated. If the community is successful in its
12 endeavor to become a certified public entity it will bring
13 considerable value not only to the community of Edna Bay, but
14 also to the accompaniment of greater southeast Alaska. The
15 community will be able to partner with federal and state
16 agencies for project development funds for roads, harbors and
17 other infrastructure in addition to numerous other funding
18 sources that will enhance the future growth of this community.
19 And not only this community but the southeast Alaska economy.
20 Sincerely, Larry Dunham, Engineering Staff Officer, Tongass
21 National Forest.

22 CHAIRMAN CHRYSTAL: Thank you, Mr. Dunham. Anybody
23 have any questions for Mr. Dunham from the Commission? Seeing
24 none, thank you, sir.

25 MR. DUNHAM: You're certainly welcome and I certainly

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 wish you all the best in deciding.

2 CHAIRMAN CHRYSTAL: Thank you. All right. The next
3 testimony comes from -- I'm probably going to mess this name
4 up. Myla Polstra?

5 MS. POLSTRA: Right.

6 COMMISSIONER HARGRAVES: Mr. Chairman, can we ask
7 questions of a subject before we proceed?

8 CHAIRMAN CHRYSTAL: Yeah. I already asked once so you
9 must have missed me when I asked that. But please, go ahead.

10 COMMISSIONER HARGRAVES: Okay.

11 MR. WILLIAMS: Identify yourself, sir, before you
12 proceed.

13 COMMISSIONER HARGRAVES: Commissioner Darroll
14 Hargraves. It's going to get confusing a bit about who should
15 be asked questions to get specific information. So if you're
16 not the person to be asked, speak up and tell me that somebody
17 else is going to speak. But number 1, could you verify the
18 amount of money that the group has in its bank account right
19 now? I know what your petition and information has said, but
20 has that changed?

21 MS. RICHTER: I would ask Myla Polstra, our treasurer,
22 to answer that question.

23 MS. POLSTRA: Our last treasurer's report from our
24 community meeting, which was held on the 12th, which was this
25 Monday, we have \$106,000. I don't have the specific hundreds

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P.O. Box 100464
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1 and cents, but we have \$106,000 in our bank account.

2 COMMISSIONER HARGRAVES: Do you know what your
3 obligations are?

4 MS. POLSTRA: Our obligations?

5 CHAIRMAN CHRYSTAL: Do you owe any money?

6 MS. POLSTRA: No, we have no outstanding debt other
7 than what we spend on different projects that we have around
8 here.

9 COMMISSIONER HARGRAVES: Okay. Could I get the
10 information about how much lands the second class city would be
11 getting?

12 CHAIRMAN CHRYSTAL: Okay. Yeah, go ahead and get her
13 sworn in before we go any further. She's going to answer the
14 questions.

15 MR. WILLIAMS: Please stand and raise your right hand.
16 And state your name for the record.

17 MS. POLSTRA: Myla Polstra.

18 (Witness sworn)

19 MS. POLSTRA: I do.

20 MR. WILLIAMS: Thank you. And Chair, to be extra
21 careful, you might want to reask the question.....

22 CHAIRMAN CHRYSTAL: We'll ask that question again,
23 yeah. We will. Okay. Don't forget to ask that question
24 again.

25 MYLA POLSTRA

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 testified as follows:

2 COMMISSIONER HARGRAVES: Well, I'll ask it right now, I
3 guess. What are the lands allotment to a second class city if
4 you become a city?

5 MS. POLSTRA: Oh, you mean our entire -- in its
6 entirety?

7 COMMISSIONER HARGRAVES: Yes, entirely.

8 MS. POLSTRA: It's 10 percent of the available lands.
9 The available lands that are vacant and unappropriated and
10 unreserved around the community.

11 COMMISSIONER HARGRAVES: And do you have a vision or a
12 process to proceed with identifying those lands and selecting
13 them?

14 MS. POLSTRA: I have inquired about that so that we
15 know, because in 2010, and it's actually in my testimony, in
16 2010 the State of Alaska created the southeast state forest and
17 in doing so they removed 2668 acres of vacant unappropriated
18 unreserved land around the community from selection by the
19 municipality. Until June 30th of 2019 we are allowed to
20 include that acreage in order to obtain our 10 percent number.
21 But we are not allowed to select from those forest lands. The
22 remaining acreage that's available is 371 acres. Unfortunately
23 they are in areas that are not conducive to community
24 development and use. So what I anticipate we will have to do
25 in order to have the lands that we need is we're going to have

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P.O. Box 100464
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1 to approach Alaska statute 29.65.100, that will allow the state
2 to withdraw some measure of federal lands to provide us with
3 the lands that we're going to need for our infrastructure and
4 some of our other development lands.

5 CHAIRMAN CHRYSTAL: Why don't we hear the rest of her
6 testimony first and then we can ask any further questions? So
7 please go ahead.

8 MS. POLSTRA: Okay. Good afternoon, Honorable
9 Commissioners. Thank you for allowing me to testify today. As
10 an officer of Edna Bay community for the past 13 years I have
11 served as secretary, treasurer and grants administrator. I
12 would like to share some of my knowledge of the challenges Edna
13 Bay has faced and will continue to face in the future if it
14 does not successfully transition to a second class city.
15 Because of its remote location Edna Bay has always been
16 presented with a unique set of circumstances related to its
17 growth and development. Our distance from other cities and
18 established areas has left this community largely on its own to
19 manage and overcome challenges encountered in obtaining funding
20 and other resources needed to develop the basic infrastructure
21 necessary to support settlement, economic development, and to
22 provide for the safety of residents.

23 Most of the accomplishments realized over past decades
24 were made by working within the limits of funding availability
25 since Edna Bay has always been ineligible for the majority of

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 funding avenues from state and federal sources. Although our
2 harbor and bridges are now nearing the end of their useful life
3 span and are in dire need of replacement, the fact that they
4 are here at all clearly demonstrates Edna Bay's ability to
5 build and maintain its infrastructure even with limited
6 resources. Unfortunately time changes many things such as
7 regulations, land management, permitting and funding
8 requirements. For Edna Bay these changes now make it
9 impossible for our community to replace its locks for the
10 bridges or needed legal requirements for easements and site
11 control. These new realities have led us to the conclusion
12 that our long standing form of government is no longer adequate
13 to allow us to address the growing infrastructure issues that
14 threaten to undermine the community's ability to continue to
15 provide support for the welfare of residents. Current
16 estimates to replace just one of our bridges are in excess of
17 \$1 million. Even with a fiscally conservative approach to
18 managing our revenue sharing monies the cost of this one bridge
19 exceeds any realistic expectations for our community to ever
20 address. The road and bridges connect the east side of Edna
21 Bay, where the state dock and church is located, to the west
22 side of Edna Bay where we have our store, post office and
23 school. Homes are equally distributed from one side to the
24 other. Failure of the bridges would create a serious health
25 and safety concern should there be a fire or medical emergency.

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1 As a non-profit corporation there are no adequate funding
2 opportunities available to address the immediacy of our need
3 for infrastructure replacement. Neither can any agency or
4 government entity intervene on our behalf. Even cooperative
5 efforts with the U.S. Forest Service require Edna Bay to
6 incorporate as a municipality in order to be eligible for the
7 federal land access program fund that they have available. The
8 same is true for Alaska Community Development block grants and
9 various Department of Transportation funding resources.

10 Another area of concern in Edna Bay's future which
11 could be address through municipal incorporation is the need
12 for adequate land in and around the community to site future
13 infrastructure projects. In 1983, at the time of the first
14 land sales in Edna Bay, there was approximately 4098 acres of
15 DNR upland. This amount of area would have allowed for
16 suitable land selection to support community development.
17 However, in 2010 when the southeast state forest was
18 established it effectively removed 2668 acres of land from the
19 classification of vacant, unappropriated and unreserved areas
20 available for future community needs. As a result the
21 remaining acreage qualified for selection has been reduced to
22 371 acres in areas that are not conducive to useful development
23 purposes. While the law allows for municipalities
24 incorporating before 2019 to count these funds -- these forest
25 lands for the purposes of establishing land entitlement, Edna

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1 Bay will still be severely restricted in identifying suitable
2 land for development. As such it will likely be necessary for
3 the City of Edna Bay to look to Alaska statute 29.465.4100 to
4 resolve this inadequacy of available land. Federal lands
5 contained within our boundaries outlined in the petition will
6 likely be needed to fulfill our entitlement. The proposed
7 municipal boundaries of Edna Bay were carefully examined and
8 considered necessary to support the future growth and health of
9 the city. We will need to have adequate land available for
10 anticipated community purposes which will inevitably include
11 areas for commercial and industrial development.

12 Edna Bay community is currently pursuing a
13 hydroelectric facility to provide clean renewable energy that
14 will further support economic opportunity for residents.
15 Municipal incorporation will aid in the development of this
16 project as well by allowing us better access to funding and
17 protection of the watershed that will be necessary to ensure a
18 stable power supply. As a city Edna Bay will be better
19 positioned to protect critical watersheds necessary to support
20 the welfare of its residents as well as economic interests
21 related to water quality and availability. Gross survey plats
22 and Charlie Creek provide important water resources for our
23 community and its future. Current resource development
24 interests by state, federal and private entities has alerted us
25 to the need for protection of the community's watershed. We

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P.O. Box 100464
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1 are currently working with a hydrologist to determine the
2 origin and structure of the (indiscernible) system that
3 supports Edna Bay's water supply. This study will help us to
4 better understand potential impacts which could result from
5 proposed timber harvests around the community.

6 While I believe that Edna Bay has proven itself more
7 than capable of managing its interests as a non-profit
8 corporation, it is also my belief that the future needs of our
9 community will be better served by the elevated legal status of
10 a second class city. Thank you again for allowing me to share
11 my perspective. This concludes my testimony.

12 CHAIRMAN CHRYSTAL: Thank you. I have a question. Did
13 you say that the bridges have cost \$1 million a piece?

14 MS. POLSTRA: No. The estimate to replace Charlie
15 Creek Bridge is \$1 million. It's just a little in excess of \$1
16 million to replace that bridge.

17 CHAIRMAN CHRYSTAL: Wow. Course back in the old days
18 you'd drop about four of those big trees you got around.....

19 MS. POLSTRA: Right, right.

20 CHAIRMAN CHRYSTAL:put some decking across it and
21 you're good to go.

22 MS. POLSTRA: That's what we've run into here. You
23 know, there's no way. We put that bridge in before and you
24 could still -- those bridges were still allowed. Time has
25 changed a whole lot of things. And we're faced with different

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P.O. Box 100464
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1 issues now than we were. If it were just a matter of replacing
2 that bridge, the community has the resources. We have the
3 equipment here. We could do the job. We just can't put back
4 what's there now.

5 CHAIRMAN CHRYSTAL: Sometimes progress makes you
6 wonder. Yeah.

7 MR. WILLIAMS: Chair? This is Brent Williams. You had
8 mentioned that Commissioner Hargraves might reask some
9 questions.....

10 CHAIRMAN CHRYSTAL: Right, right. Yeah. I still got
11 one more question.

12 MR. WILLIAMS: Okay.

13 CHAIRMAN CHRYSTAL: You mentioned the Karst. Have you
14 got any caves in your Karst?

15 MS. POLSTRA: Oh, yeah.

16 CHAIRMAN CHRYSTAL: Because that's becoming quite a bit
17 thing in some parts of southeast, I know. If you could ever
18 use that as some kind of community resource or development, or
19 something.

20 MS. POLSTRA: I don't know if we have any caves on this
21 island. And I know a few people are knowledgeable about that.
22 That would be comparable to like the ElCap cave or the -- over
23 at Elcapitan where they can take people in for tours. I think
24 most of ours are vertical.

25 UNIDENTIFIED VOICE: Well, actually we have quite a bit

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ANCHORAGE, ALASKA 99501

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1 of horizontal caves.

2 MS. POLSTRA: Do we?

3 UNIDENTIFIED VOICE: Yes, we do. But -- and we could
4 develop, or somebody could develop say a tours industry or
5 something along those lines. It is very -- in fact, this
6 island has such a -- what's the word I'm looking for --
7 extensive cave system that not only the Forest Service but
8 other individuals and agencies that are interested, they
9 actually come for that study to Causeuskaal (ph) of the Karst
10 and the caves on this island because it's so unique.

11 CHAIRMAN CHRYSTAL: Right.

12 UNIDENTIFIED VOICE: It really is.

13 CHAIRMAN CHRYSTAL: Did you reask your question?

14 COMMISSIONER HARGRAVES: Well -- Commissioner
15 Hargraves. You have a lot of information in there. You
16 covered a lot of my questions. I'm very happy with that
17 testimony. A second thought here, are you a paid employee at
18 this point?

19 MS. POLSTRA: No, I'm not.

20 COMMISSIONER HARGRAVES: Do you have a paid employee
21 anywhere in this organization?

22 MS. POLSTRA: No, we do not.

23 COMMISSIONER HARGRAVES: Have you budgeted for a paid
24 position in the future?

25 MS. POLSTRA: At this time transitioning from the non-

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1 profit association that we are now to a second class city, our
2 intentions are to continue the volunteer service that we have
3 historically had. If, at some time in the future, the city's
4 situation requires enough load on a person then that will be
5 something that we will need to address.

6 COMMISSIONER HARGRAVES: Do we have a proposed budget
7 for the city?

8 MS. POLSTRA: It's in the petition. It's -- Lee, did
9 you want to.....

10 LEE: Okay.

11 CHAIRMAN CHRYSTAL: You haven't been sworn in yet but
12 in light of the budget, it is in there in somewhere. I
13 remember reading it.

14 MS. POLSTRA: It is.

15 COMMISSIONER HARGRAVES: If it is that's fine. I'm
16 just able to present that question.

17 CHAIRMAN CHRYSTAL: Any other questions? Commissioner
18 Harcharak?

19 COMMISSIONER HARCHARAK: This is Commissioner
20 Harcharak. M.s Polstra, I think I intended, or I think --
21 well, where is Karst Cave?

22 MS. POLSTRA: Can I explain? Karst -- this island is
23 made up of one stone rock.

24 COMMISSIONER HARCHARAK: Correct.

25 MS. POLSTRA: And through rain falling on the island

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 and in channeling its way through and down to the ocean it
2 actually dissolves the rock and creates what they call Karst.
3 And it's really -- to envision it -- to put it into something
4 you can envision, it's like an aqueduct system that feeds the
5 island. It delivers like a water system that is under the rock
6 and some -- we have some underground lakes that are born. It's
7 -- the Karst is what provides the community with its water
8 sources here in the bay.

9 COMMISSIONER HARCHARAK: Thank you. The other question
10 I was to ask is, you kept mentioning because of the regulations
11 you couldn't do some things. but you also -- the number, I
12 believe, was 371 acres. Okay. You read the map in there of
13 the proposed incorporation of the City of Edna Bay?

14 MS. POLSTRA: Yes.

15 COMMISSIONER HARCHARAK: That 371 acres, is that not
16 inside there?

17 MS. POLSTRA: No, it is inside there.

18 COMMISSIONER HARCHARAK: Okay.

19 MS. POLSTRA: Our municipal boundaries encompass all of
20 the available DNR upland, but out of that amount of land only a
21 certain percentage of it is vacant unappropriated and
22 unreserved, and therefore available for us to select for our
23 municipal entitlement. And like I said, in 2010 when the state
24 forest was created we were still in the process of working on
25 our petition so there wasn't really any way for us to actively

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ANCHORAGE, ALASKA 99501

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1 participate in reserving land for the community. And so we
2 lost 2668 acres that completely encompasses the community that
3 is now state forest land.

4 COMMISSIONER HARCHARAK: Okay. Thank you. Now I feel
5 like I understand what you're trying to convey, and I
6 appreciate that.

7 CHAIRMAN CHRYSTAL: Commissioner Harrington, you had a
8 question?

9 COMMISSIONER HARRINGTON: You commented about a
10 prospective hydro electric generating facility. Is that within
11 the boundaries of the proposed city?

12 MS. POLSTRA: Yes, it is.

13 COMMISSIONER HARRINGTON: Thank you.

14 CHAIRMAN CHRYSTAL: Focusing on that, I'm glad you
15 mentioned that because I was going to ask that. Is this a run
16 of the stream type thing or are you going to have a reservoir?

17 MS. POLSTRA: It's a run of the stream. It's actually
18 an arc meade (ph) screw type generator that we're looking at
19 putting in.

20 CHAIRMAN CHRYSTAL: Okay. Because we saw one in
21 Gustavus, a run of the stream. In fact, in my home town of
22 Valdez they're getting to put one in now. Another one. A run
23 of the stream type. Okay. Just curious.

24 MS. POLSTRA: What we have is the best for facilitating
25 -- all of the streams on this island are salmon streams. And

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ANCHORAGE, ALASKA 99501

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1 the site that we've selected to put the facility is at the
2 bottom of a falls that will support the amount of drop that we
3 need for the generator to work correctly. But the arc meade
4 screw is one that will allow for safe operation around the
5 fish.

6 CHAIRMAN CHRYSTAL: Okay. Your run of the stream
7 probably works a lot better than it does up by Valdez. Our
8 tends to freeze up in a little bit in the wintertime. Buried
9 with snow. You shouldn't have quite that much problem.

10 MS. POLSTRA: No.

11 CHAIRMAN CHRYSTAL: Okay. Our next -- I'm sorry, do we
12 have another question?

13 MR. WILLIAMS: Still at the issue that all
14 commissioners may have questions for -- some of the questions
15 were asked before the witness was sworn in and we were -- the
16 Chair was having the questions reasked and they weren't clearly
17 produced under.....

18 CHAIRMAN CHRYSTAL: I thought he asked all the ones he
19 needed to.

20 MR. WILLIAMS: I didn't hear the one about the budget.
21 And there was one about.....

22 CHAIRMAN CHRYSTAL: Yeah, he did ask -- he asked it
23 again here a minute ago and it's in record right now.

24 COMMISSIONER HARGRAVES: When I asked about a budget I
25 was trying to think about bigger more detailed breakdown then

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

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1 what we've got here. The budget we have shows revenue sharing,
2 grants. Well, on the expense side it just says road
3 maintenance, dock, etcetera. There's no where in here that
4 I've seen rent for facilities, office. I don't see any
5 personnel cost. Is that what I'm looking at in this budget?

6 MS. POLSTRA: At this time we have none of those
7 expenses. And so when you go -- the office expenses and those
8 types of things are just made available or shared by the
9 volunteer officers that function as the (indiscernible). Does
10 that answer your question?

11 COMMISSIONER HARGRAVES: Yeah, it does. And that's why
12 I guess I was thinking there could be some more to the break
13 down of the budget than what's in here. But I think you've
14 clarified there's nothing more. The personnel, you don't have
15 an office to pay electricity on?

16 MS. POLSTRA: No.

17 COMMISSIONER HARGRAVES: Telephone?

18 MS. POLSTRA: No phone. We don't have anywhere to cite
19 anything like that. We've spent five years just trying to
20 obtain a place to put our old fuel facility.

21 COMMISSIONER HARGRAVES: Well, I think that somewhere
22 you need to start getting a salary because (indiscernible). I
23 guess I'm too much from the new part that if you get something
24 you have to pay for it. And you're to be commended for partly
25 running a community without paid administrators and parks. I

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

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1 commend you for that.

2 MS. POLSTRA: Thank you.

3 CHAIRMAN CHRYSTAL: Any other questions? Okay. For
4 the benefit of those on the phone line, we can see people
5 across from here but they don't who is speaking on the phone.
6 If you don't mind saying who you are before you speak. Thank
7 you. Okay. The next speaker is Tyler Polstra. Connecting a
8 resemblance here with a name.

9 MR. WILLIAMS: Please raise your right hand.

10 (Witness sworn)

11 MR. POLSTRA: I do.

12 MR. WILLIAMS: Thank you.

13 CHAIRMAN CHRYSTAL: All right. And just speak your
14 name at the beginning again so everybody can hear it.

15 TYLER POLSTRA
16 testified as follows:

17 MR. POLSTRA: For everybody on the line and everybody
18 here, most people know who I am but for those who don't, my
19 name is Tyler Polstra. I am the community secretary and the
20 acting dock chairman. And I'll go ahead and initiate my
21 testimony here.

22 CHAIRMAN CHRYSTAL: Okay.

23 MR. POLSTRA: Good afternoon, ladies and gentleman and
24 Honorable Commissioners. Thank you for the opportunity to
25 comment as a witness during this hearing. I'd like to speak to

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1 you today about my experience as dock chairman and as a 13 year
2 resident of Edna Bay. I can also speak on behalf of the
3 observations I have made in the last six years as community
4 secretary where I've had an opportunity to become acutely aware
5 of much of Edna Bay's history through the extensive set of
6 records I am responsible for managing, maintaining, and
7 utilizing for community related activities.

8 I will share my assessment based on these experiences
9 and observations and why I feel a municipal status would better
10 assist the local government in meeting current needs and
11 anticipated growth of our activities in Edna Bay. Based on my
12 analysis of our history, it has appeared that the needs of the
13 needs of the community were met by our current legal status for
14 the first two decades of its existence. Funding sources for
15 our dock and other necessary infrastructure were available, so
16 these were built, upgraded and maintained, and structures such
17 as our breakwater have been replaced when necessary.
18 Additionally, it is my view that until the last decade the
19 existing dock has offered necessary capacity, safety and
20 function for local residents and commercial fishermen.

21 Today the harbor management prospects we face are much
22 more of a challenge and will become more daunting should our
23 local government continue on as it currently exists. Despite
24 working diligently to foster and maintain a cooperative working
25 relationship with the Department of Transportation to determine

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P.O. Box 100464
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1 necessary harbor maintenance and receive reimbursement funds,
2 our ability to sustain this trend is quickly becoming an
3 impossibility due to the age and deterioration of the core
4 aspects of the float system. The existing harbor
5 infrastructure is simply reaching the end of its useful life
6 span and replacing the facility with one that will adequately
7 meet the current and anticipated needs of Edna Bay will require
8 funding and management resources that we simply cannot access
9 as a non-profit corporation.

10 Furthermore, due to limitations of the current
11 government to manage dock utilization it's already limited
12 capacity can be impacted by non-functioning vessels occupying
13 dock slips. Due to our isolated location this is a challenge
14 that the Department of Transportation is unable to effectively
15 manage and one better suited to the local government to accept
16 responsibility for. The institution of a harbor master, usage
17 fees and the ability to successfully manage dock utilization
18 for the benefit of local residents will require legal and
19 statutory support that the existing community government cannot
20 utilize to aid in these challengers. The support frameworks
21 that are necessary to effectively manage harbor capacity and
22 usage, and optimally maintain and apply upgrades to the
23 facility are simply not available to the community in its
24 current legal status.

25 The issue of space management and maintenance will

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 continue to be a struggle as the facility ages and costs of
2 meaningful maintenance escalate. Vessel owners have approached
3 me in my capacity as dock chairman and requested solutions to
4 be provided in order to alleviate utilization and capacity
5 concerns. One request has been for it to be possible to pay
6 for a slip at the dock so that mariners and commercial
7 fisherman who declare Edna Bay their home port will always have
8 a slip open when they return. Currently in the summer when
9 capacity is stressed it can be a struggle for mariners to find
10 a slip or access the one best suited to the size of their
11 vessel. There is a need for more effective management.

12 In the future I see the developing infrastructure on
13 Prince of Wales Island connecting with a new multi million
14 harbor in Naukati dramatically increasing through traffic to
15 and from Edna Bay, potentially expanding more of a population
16 and harbor utilization. This future increase in activity will
17 be borne from Edna Bay indirectly taking Naukati's place as the
18 end of the road destination. This future increase in activity
19 will be borne from Edna Bay indirectly taking Naukati's place
20 as the end of the road destination for pleasure seekers,
21 sportsmen and families looking to migrate past the established
22 regional infrastructure. This likely change will help Edna Bay
23 grow a stronger local economy, raise more harbor revenues
24 should usage fees be instituted as a municipality, and
25 ultimately result in growth and increased activity that

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P.O. Box 100464
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(907) 764-3227

1 requires more legal support, more management and more funding
2 opportunities than we can currently utilize or access as a non-
3 profit corporation.

4 I could go into detail on the opportunities for
5 superior management and funding availability that second class
6 city would offer Edna Bay. However, Mr. Lektion (ph) from the
7 Department of Transportation has already provided a bold and
8 clear assessment in the LBC preliminary and final reports on
9 many of the benefits Edna Bay would have available to it should
10 it be granted a municipal status. He, and other government
11 officials, have strongly suggested that Edna Bay organize as a
12 second class city, or higher, to alleviate the funding,
13 management and legal hurdles that have restricted our community
14 from overcoming many of the aforementioned challenges.

15 In summary, Edna Bay was fostered into a distance by
16 the State of Alaska and we have built our foundation together.
17 Our community has survived the transition of southeast Alaska
18 from a resource driven economy to one based on services, and
19 has successfully held strong and maintained dedicated volunteer
20 management of our local government. Despite all of our
21 successes the challenges we face will continue to grow larger
22 without needed change that no other governing entity except
23 Edna Bay can successfully manage. I stand proudly behind the
24 diligent efforts of our community and hope that we are given
25 the opportunity to continue self governing and deciding our

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 future. Thank you for your time and consideration during this
2 hearing. This concludes my testimony.

3 CHAIRMAN CHRYSTAL: Okay. Thank you. Questions?

4 COMMISSIONER HARCHARAK: Mr. Chairman, would it be
5 possible to get a copy of that. Thank you.

6 CHAIRMAN CHRYSTAL: Apparently so.

7 COMMISSIONER HARCHARAK: The reason I asked for it is
8 your presentation to me was very conclusive and some of the
9 ideas that you have there will help me in making my decision
10 and our decision. There are a lot of ideas there that I need
11 to think about. I need to dwell upon before I can aptly make a
12 decision.

13 CHAIRMAN CHRYSTAL: Actually we cannot accept written
14 statements at this point because that's considered evidence.
15 So the oral statement is fine but -- it's recorded anyway.
16 Every word is recorded in the record. But.....

17 COMMISSIONER HARCHARAK: I could save a lot of lawyers
18 goats (ph).

19 CHAIRMAN CHRYSTAL: Commissioner Hargraves, did you
20 have a question?

21 COMMISSIONER HARGRAVES: You did talk about a harbor
22 master. paid?

23 MR. POLSTRA: I would assume that this person would be
24 paid.

25 COMMISSIONER HARGRAVES: So when you developed your

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

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1 first budget it would at least have a salary for a harbor
2 master, part time?

3 MR. POLSTRA: I think at this point in time it's too
4 early to determine how much work load that that would
5 encompass. The activity at the facility is -- as you can see,
6 the facility is small. It's going to be fairly restricted.

7 COMMISSIONER HARGRAVES: So it might be a volunteer?

8 MR. POLSTRA: It could. but it's fair to say that
9 anything, given enough work load, if there's enough challenge
10 going on, there's enough paperwork going on, there is always
11 the possibility for a position to be required for paid for
12 anything that you do. If you're offering a service, if you're
13 working, that option is always on the table at some point. You
14 can't say it's not. So.....

15 COMMISSIONER HARGRAVES: I think you finally got the
16 point across to be there on paid position. Nothing I could
17 apply for for a job.

18 CHAIRMAN CHRYSTAL: Volunteer? Their salary line is
19 the same as ours.

20 COMMISSIONER HARGRAVES: I guess in retrospect I
21 shouldn't be too concerned about volunteerism.

22 CHAIRMAN CHRYSTAL: No. Volunteering is good.
23 Commissioner Harcharak, did you have a question?

24 COMMISSIONER HARCHARAK: Commissioner, on the advice of
25 a lawyer, and since I can't take your written testimony, I'm

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 asking if you would read it again.

2 MR. POLSTRA: I will.

3 CHAIRMAN CHRYSTAL: Excuse me. Read it again?

4 COMMISSIONER HARCHARAK: I can't.....

5 CHAIRMAN CHRYSTAL: You can always listen to it. We
6 got it recorded. But that's okay. I have no objection.
7 Anybody else have -- I guess we got plenty of time, so -- we're
8 not exactly.....

9 COMMISSIONER HARRINGTON: I suggest we take a five
10 minute recess.

11 CHAIRMAN CHRYSTAL: I don't think we can do that.

12 COMMISSIONER HARCHARAK: I'll listen to it on tape.

13 CHAIRMAN CHRYSTAL: Okay. All right. The next witness
14 will be Patrick Richter. Come on over here, that way the
15 people on the phone can hear better.

16 MR. RICHTER: Yes, sir.

17 (Witness sworn)

18 MR. RICHTER: I do.

19 PAT RICHTER
20 testified as follows:

21 MR. RICHTER: My name is Pat Richter. I've lived in
22 Edna Bay for almost 30 years. And I want to thank you guys for
23 coming here. It's been a long road. I'm going to share a
24 little bit on what it was like to be one of the earliest
25 residents of Edna Bay. I first came here in 1983 to spend --

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(907) 764-3227

1 we spent three months on a sail boat between Wrangell, Sea
2 Otter Sound, but mainly in Edna Bay. My dad had purchased an
3 over the counter lot in 1982. We spent the time working on a
4 trail to the lot, as it was a back lot, and then started
5 clearing for a home site. My dad was given a lot again at Cape
6 Hole as they were closing down the logging camp there. We
7 hauled all the salvage lumber we could on two sail boats back
8 to Edna Bay. That lumber was used to help build a cabin they
9 lived in for years and it still stands today. At that time I
10 knew I was coming back some day. I came again in November of
11 1984 to help put a roof on my dad's cabin. I moved permanently
12 in March of 1985. While living on a sail boat built a home on
13 dad's lot. And as there was no roads everything had to be
14 packed up from a skiff on the trail we had built in 1983.

15 Until the East/West Road was built every home was built
16 from the beach with no equipment, by hand, which entailed a lot
17 of work. A lot of hard work that you can only imagine, except
18 one. And that was the home of the home of the Morgans as their
19 lot was off Forest Service Road. I came here to live a remote
20 life and it was very remote. No phones. Only VHF's and CB's for
21 communication. No electricity. Instead we used kerosene lamps
22 and candles. There were no roads to get around the community.
23 Only by walking the beach or by skiffs. With Edna Bay being
24 almost two miles wide, or more, boating in bad weather was
25 common as Edna Bay is considered a blow hole (ph). To drive

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 from east side to the west end was 23 miles and the only phone
2 on the island was in Cape Hole which was 10 to 20 miles away,
3 depending on which side of the bay you lived.

4 Even with the remoteness what a beautiful place to
5 live, raise a family. Edna Bay started growing, mostly
6 fishermen. And with it needs for infrastructure like mail,
7 school, more dock space, access to back lots, and a grid for
8 boats so that we didn't have to run 45 miles to Craig to
9 service the boats. Being there wasn't any equipment available
10 like excavators, trucks, etcetera, on the island, meant that
11 the grid was built with manual labor by neighbors pulling
12 together for the need. Getting the school district to build a
13 school was a struggle, but very much needed as we had several
14 kids and eventually was had around 25 kids in school. And with
15 that came transportation issues. Necessary transportation to
16 and from school for kids. Residents picking up their mail or
17 going and checking on their boats meant they had to travel by
18 skiff as water was the only option. Getting kids to and from
19 school was the most important. And as I mentioned, Edna Bay is
20 a blow hole. As parents taking our younger kids, or older kids
21 taking themselves in 12 to 18 ft. skiffs was a very stressful
22 time for all parents involved. We needed a road.

23 So we started a road committee to start the process
24 increments, right-away issues and funding. And with it came
25 opposition. Some residents didn't want progress, didn't want

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1 to open up the bay, and wanted Edna Bay to stay remote. We
2 will always be remote. The only way here is by water or by
3 air. But access within the community was very much needed. It
4 was important not to be short sighted and really consider the
5 greater good of health and welfare of Edna Bay as a whole,
6 looking towards the future. Saving someone's life by being off
7 the water, whether it be the kids going back and forth to
8 school or someone else going to visit a neighbor. I remember
9 taking my family home many times in the dark in my skiff from
10 visiting neighbors.

11 Back then everyone that moved to Edna Bay were very
12 strong individualists as it took that to be able to carve out a
13 life in such a remote isolated place. Even though we were all
14 individualists the majority of the residents came together to
15 work for the common good and to get a road. But we needed
16 funding. The state estimated that we need \$650,000 to
17 construct the East/West Road. And even at that time they
18 recommended us to become a second class city as funds were
19 easily available then to construct a road and any other needs
20 that we might want. We were afraid of change, afraid of
21 outside growth. So we proceeded to apply our funds wherever we
22 could. And we started with \$10,000. But the road was started.
23 Most of the parents that were boating kids wanted any kind of
24 road even if it was only usable with an ATV. That was fine. I
25 personally didn't care what kind of road as long as I could my

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1 six year old daughter off the water. We settled on a 12 foot
2 wide road. And as long as it held up a dump truck as it was
3 being built, that's all it needed to be.

4 But funding was still a problem. Between revenue
5 sharing, which was being divided up for other community needs
6 in the community, and a grant, we built another portion of
7 road. It was always a struggle between docks which took care
8 of boats. That was, for the most of us, our only source of
9 income. And the opposition was still not wanting a road built.
10 Then we acquired DOT funds and another grant with a total of
11 around \$140,000 which we figured would be enough to finish the
12 road. Part way into the project the funds were running out
13 fast. So instead of the community finishing the road with
14 rented equipment we elected to hire a local with his own
15 equipment to finish the road. But most importantly, we all
16 agreed to lowering all wages to \$6 an hour because we couldn't
17 volunteer because of the requirements of workmans comp. We had
18 to be paid some sort. So with less wages and less costs we
19 pushed the road through for less than half of what the state
20 estimated.

21 It was a true test of the majority of the residents
22 coming together for the greater good and making it happen.
23 Funds or no funds. There were even some that got their checks
24 and gave the funds back, and a lot of donated hours behind the
25 seams. The road changed the community as a whole. Besides

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1 getting the kids off the water, and everyone else, it brought
2 the people together. The physical interaction, whether by
3 meeting on the road or just being able to visit on a more
4 regular basis, over time it brought closer continuity to the
5 residents of Edna Bay.

6 Now, as road chairman for the future of this road it's
7 going to take a different approach. The wall stringer bridges
8 have outlasted the normal life span. We are past the time to
9 replace them and with new regulations in place, and everything
10 like fuel going from 60 cents to \$5 a gallon here, it's no
11 longer possible to replace them the way we did in the past with
12 very little funds. And because the state developed the
13 subdivision and putting the road right-of-way into public
14 domain, Edna Bay cannot enter into a road maintenance agreement
15 with the Forest Service who has already spent money surveying
16 what it would take to replace those bridges. At this time no
17 one entity has legal control of the road. The state, DOT, or
18 DNR could but won't. Because that would make them responsible
19 for it.

20 Another issue is that the state transferred ownership
21 of land on the east end of the road without retaining an
22 easement with Mental Health Trust, Section 22. So we are at a
23 serious crossroads. Either we let the East/West Road fail or
24 find a solution. And the only long term solution is to become
25 a municipality so that we can take control of the road and then

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1 we can work with all agencies involved. First, the Mental
2 Health Trust on easement through Section 22. Then with the
3 Forest Service with a maintenance agreement which details
4 giving them an easement or road use. And with ownership it
5 will open up funds through grants for Edna Bay, especially if
6 it doesn't work out with the Forest Service. Funds that aren't
7 available to us in our current legal status.

8 So looking back, back to when we had considered
9 becoming a second class city over 20 years ago, when we had the
10 state come down and explain everything that it would take,
11 which at the time I was totally against. We don't need more
12 progress. So should Edna Bay become a second class city then?
13 Maybe. I just don't know. In my opinion, probably we weren't
14 ready for it. I think we wouldn't have had the community
15 lifestyle we have today. I feel it would have promoted quick
16 growth. One not based on experience, but one that might have
17 failed. Slow growth is always best. It gives time to reflect
18 on the greater good for all involved. As for the future of
19 Edna Bay, I feel we need to move forward. Protect the
20 lifestyle we have, one we've created over 30 years, one of self
21 rule, one of independence, and a self sustaining subsistence
22 lifestyle. And with the threat of being encompassed by a
23 borough which would severely change the way the community
24 operates, we would probably lost our bridges and the
25 replacement could take years, or even to be able to provide the

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1 services that we do today. It would destroy a lot of the hard
2 work we've done over the last 30 years. We would regress as
3 our self governing would now have to go through another entity
4 40 miles or more away.

5 I want to see a future for our children, for our
6 grandkids. We have grown children staying here, and we have
7 some coming back. And that is the future of Edna Bay. We need
8 to protect what we have. Becoming a second class city doesn't
9 have to change who we are. It will only change if we let it.
10 Will there be some? Yes. But I feel it will have a positive
11 impact and not a negative one. The people of Edna Bay have
12 went through difficult times and have persevered and become
13 stronger as a result. Maybe not all, but definitely the
14 majority. Looking out for the health and welfare of all,
15 trying to meet the needs, all needs that arise and that can be
16 dealt with. We have in our future needs, needs that will need
17 to be addressed I'm sure. And if we take a step back when they
18 arise and then move forward we'll be able to meet those needs
19 drawing on past experience. Always looking out for the greater
20 good of all community members, not just individuals. That
21 concludes my testimony.

22 CHAIRMAN CHRYSTAL: Thank you, Mr. Richter. Questions?
23 Commissioner Harcharak?

24 COMMISSIONER HARCHARAK: This is Commissioner
25 Harcharak. I appreciate the presentation. You mentioned --

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1 not quite appear, but becoming part of a borough. What borough
2 -- is there a borough that wants to take over?

3 MR. RICHTER: Yeah. This is Pat Richter. Yes. Prince
4 of Wales has already established a feasibility study and
5 they've already projected a application. I think it's in. But
6 they've already put out some paperwork on what -- and they want
7 to incorporate us into that. And also Wrangell wanted to and
8 Ketchikan has been since the day I been here. So when they
9 come in there will be taxes and we will lose who we are. And
10 trying to become a second class city after the fact will
11 probably be near impossible. So for me, if we're going to be
12 taxed for our property out here, which we will be by a borough,
13 it would be nice to have some of those tax monies come back and
14 as a second class city I understand we will.

15 COMMISSIONER HARCHARAK: Thank you.

16 CHAIRMAN CHRYSTAL: Any further questions? Thank you,
17 Mr. Richter.

18 MR. RICHTER: Thank you.

19 CHAIRMAN CHRYSTAL: I think at this time we're going to
20 take a 10 minute break.

21 (Off record)

22 (On record)

23 CHAIRMAN CHRYSTAL: Okay. We'll call the meeting back
24 to order at 1:05. And we left off with one more testimony from
25 the petitioners and that would be Rocky Near. Come forward and

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1 be sworn in.

2 MR. WILLIAMS: Rocky Near, please repeat after me.

3 (Witness sworn)

4 MR. NEAR: I do, so help me God.

5 MR. WILLIAMS: Thank you.

6 ROCKWELL NEAR

7 testified as follows:

8 MR. NEAR: My name is Rocky Near. I am fairly new to
9 the community. I have lived here since last June, brought my
10 family out here. I am working at the school. I've been
11 running the school here in Edna Bay.

12 I have been to every meeting that this town --
13 (mechanical interference).....

14 CHAIRMAN CHRYSTAL: Just give us a second. This is the
15 Chair. We'll take another 10 minute break and see if we can
16 fix it.

17 (Off record)

18 (On record)

19 CHAIRMAN CHRYSTAL: Let's hurry and get going before
20 the phone breaks again. It's working right at the moment.
21 So -- is everybody ready? Okay. Are we ready? Okay. Calling
22 the meeting back to order at 2:31. We left off and Rocky Near
23 was starting his testimony. You've already been sworn in, so
24 just go ahead and start over again and hopefully it's going to
25 work this time.

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1 MR. WILLIAMS: Chair? We'll just say for the record
2 that the respondents is back on.

3 CHAIRMAN CHRYSTAL: Is the respondent okay this time?

4 UNIDENTIFIED VOICE: We are here and we can hear you
5 very well.

6 CHAIRMAN CHRYSTAL: All right. We can hear you too.
7 All right. Good. Okay. Mr. Near.

8 UNIDENTIFIED VOICE: here. We can hear you just
9 fine.

10 CHAIRMAN CHRYSTAL: Okay. Please go ahead.

11 MR. NEAR: All right. I am Rocky Near. I am the
12 teacher at the school here in Edna Bay. I've been here about a
13 year. I believe I've been to pretty much every meeting that is
14 happening in the last year here. A lot of the meetings are
15 held here at the school. I've been to a lot of meetings in a
16 lot of towns and this town is very organized, very -- they got
17 it together. I don't know if you guys have noticed by the
18 testimonies that have been here. Like you guys, they are
19 volunteers and they volunteer hours and hours and hours. And
20 they make sure they've got all their little t's crossed and
21 their i's dotted and they're very careful about the wording and
22 things. And they labor over things for hours. And they want
23 to get it right. And they do it as volunteers and their being
24 seems to be a volunteer. This town wants to make things work
25 together and that's something that I've seen, especially with

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1 the people that are on the town council here. The work that
2 they put in, the extra effort that they put in. And so that's
3 the first point that I have.

4 The second point that I wanted to say was since I've
5 been here I've been in a community where -- I mean there's some
6 old descensions and things that have gone for years but because
7 I'm sort of an outsider because I'm new and because I'm, you
8 know, through the school district, I've been able to be friends
9 with all the different people. And I've seen that the people
10 are -- they enjoy each other. Because when we have these
11 meetings, we have a town meeting we get the work done but it's
12 not some horrible bad situation where everybody's, you know,
13 uncomfortable and miserable. It seems to be a good time. And
14 so that's another thing that I wanted to say is these guys like
15 each. They like to do stuff together. Occasionally there's
16 people that have, you know, their descensions and stuff, but
17 that's not, you know, the majority.

18 And thirdly, I'd like to say that what they're trying
19 to do here is to make this town able to do, you know, what they
20 want legally to get all that access and everything. Because
21 this is a town that has potential to be a wonderful place for
22 families. Now I have lived in a lot of places and we finally
23 found the place that we would like to settle and it's Edna Bay.
24 I have kids and I'd like my kids to grow up here and I'd like
25 their kids to grow up here. And it's because I have seen the

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1 way the council works together and the way that the people work
2 together in this town to get things done. And they haven't had
3 a bunch of money to do this stuff. They've done it volunteer.
4 I've been to the meetings where they vote for what are we going
5 to -- you know, how are we going to do that, and somebody will
6 just say well, I'll go ahead and do that. Or they'll call a
7 work day and people will come together and they'll work and
8 they'll get something done. So as eloquent at that is, that's
9 about what you're going to get from me today.

10 CHAIRMAN CHRYSTAL: Thank you, Mr. Near. Anybody have
11 any questions for Mr. Near? Okay. Hearing none, thank you.
12 And at this time we had the tabled motion earlier, because
13 Larry Dunham wasn't here. But since he did call in I think
14 we'd -- we can really just table out of order and drop it out
15 of permission of the Commissioners. Just get rid of it. Okay.
16 Good. Okay. That concludes the petitioner's sworn witness
17 testimony. At this time it is time for the respondent's sworn
18 witness testimony. And I understand it's going to be Mr.
19 Wolfe. Are you out there, Mr. Wolfe?

20 MR. WOLFE: Yes, sir, Commissioner Chrystal, I am. My
21 name is Ron Wolfe, ready to be sworn in.

22 CHAIRMAN CHRYSTAL: Okay. Mr. Williams is here.

23 MR. WILLIAMS: This is Brent Williams. Please raise
24 your right hand.

25 (Witness sworn)

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1 MR. WOLFE: I do.

2 MR. WILLIAMS: Okay. Thank you.

3 CHAIRMAN CHRYSTAL: Okay. Go ahead, Mr. Wolfe.

4 RON WOLFE

5 testified as follows:

6 MR. WOLFE: Good afternoon, Chairman Chrystal,
7 Commissioners, staff, members of the public, and especially the
8 people of Edna Bay. My name is Ron Wolfe and I live at 9466
9 Bailey Place here in Juneau. I appreciate the opportunity to
10 offer this testimony telephonically, but I do regret that I'm
11 not able to visit Edna Bay again, having been there on two
12 previous occasions. Kosciusko Island, Edna Bay, Sea Otter
13 Sound, it's really a wonderful place.

14 I would also just like to say, I guess give my thanks
15 to Brent and Brice and the Commissioners. I've had the
16 pleasure of having trying to host tours and trips in southeast
17 Alaska that have been derailed by water. I've had
18 telecommunications issues such as what you're going through and
19 I know how hard it is to put these kind of things together,
20 period. But I also know how hard it is, and appreciate the
21 perseverance of seeing us those difficult times.

22 I'm currently serving at (indiscernible), Alaska, where
23 I've worked for the previous 50 years (indiscernible). Before
24 that I worked for Keplon (ph) Forest Products for a decade and
25 before that I worked for six years for Tlingit-Haida Central

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1 Council as a forester. I would like to answer the question why
2 SeaAlaska commented on the Edna Bay petition and why it is
3 offering testimony to this hearing.

4 The first part of the answer is that SeaAlaska hopes to
5 receive some of its remaining Alaska Native Claims Settlement
6 Act lands from Kosciusko Island. And some of these lands are
7 within the Edna Bay boundary as delineated on the petition.
8 The next part is that we of SeaAlaska support formation of
9 local government that are capable of providing the full range
10 of services that any business would expect a city to provide.
11 But we have at least six concerns over this petition in
12 particular.

13 Number 1, what is being proposed will neither be
14 capable of providing these services, nor does it even imply
15 intent to provide the full range of services.

16 Number 2, let's play this forward five or 10 years. We
17 become concerned about the solvency of this new Edna Bay city.
18 What happens if it goes bankrupt because of its reliance on
19 government funding that could, and likely will, go away. In
20 2005 Commissioner Hargraves and Hicks expressed such concerns
21 in the Naukati decision by commenting citizens of a number of
22 small financially distressed Alaska communities simply
23 abandoned their city government. As Commerce stated in the
24 final report in Naukati, contemporary reports by state and
25 federal agencies suggest that more than half of Alaska city

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1 governments are experiencing severe financial and managerial
2 difficulties. Considering the status of many municipalities
3 Commerce contends to be vigilant in terms of promoting
4 municipal incorporations for only those prospective local
5 governments that can demonstrate fiscal liability. That comes
6 from page 59 of the report.

7 A third concern is the assessment that this could
8 foster a proliferation of multiple local governments that are
9 not viable due to doubtful finances and limited functions.

10 Number 4, lands identified in this petition far exceed
11 what is necessary for Edna Bay to function as a second class
12 city. We submit that the boundary ought to be limited to the
13 grey portion on the map shown on the web site for this
14 petition.

15 Number 5, our concern is over the adequacy of the
16 proposed budget. As Commissioner Hicks expressed in Naukati,
17 there is a fundamental distinction between providing services
18 as an incorporated non-profit homeowners association vis-a-vis
19 a second class city. We share that concern over Edna Bay.
20 Based on my experience with logging camps, road construction,
21 working with communities here in southeast Alaska, I am
22 concerned that \$10,000 per year for road maintenance and
23 \$10,000 per year for dock maintenance is pretty darn low.
24 Equipment costs doesn't include a rate for the equipment
25 itself. Fuel and an operator for backhoes, dozers, graders and

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1 other heavy equipment can go through these amounts in far less
2 than a 12 month period. I am especially concerned that amounts
3 for emergency services is far too low. To be responsive it
4 should include capital and operating costs. At least,
5 according to Jerry Crew (ph), much of the Edna Bay equipment
6 today is inoperable, unusable and inadequate to be reliably
7 providing emergency response. Frankly that's not a surprise.
8 It takes capital to acquire suitable equipment to begin with
9 and it's tough to keep emergency equipment that is infrequently
10 used in good working order. The performance standards for this
11 equipment is very high. It has to start right away, be ready
12 to use every time on very short notice. \$3000 for
13 administration doesn't go very far. And I agree with staff's
14 recommendations that at least a part time person is necessary
15 at a minimum, and even this may not be sufficient. With
16 respect to the postal service, I guess that amount is adequate
17 as I assume Myla gave her (indiscernible) on her years of
18 serving in that capacity. But what about law enforcement,
19 legal fees, case management, liability insurance, water and
20 sewer lines, (indiscernible), and non-use (ph) regulation?
21 There is nothing in the proposed budget for any of these.

22 In its preliminary report on Naukati Commerce noted
23 that only 6.4 percent of Alaska's second class cities have
24 budgets under \$100,000 per year. For Naukati alone, their
25 maintenance alone was estimated at \$50,000. Against these yard

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1 sticks the proposed \$34,000 per year budget here seems suspect
2 and is certainly worthy of more critical analysis than it's
3 gotten to date.

4 Finally we have a new concern that has come from the
5 petition's reply to our comments, and that is the spectra of
6 targeted or defendant's (indiscernible) taxation. The petition
7 itself is quite clear that no property, sales, or other taxes
8 on the town's residents are being proposed. But the
9 petitioner's reply to our comment asserts that a 10 percent
10 vessel (ph) tax that targets the timber industry should be
11 (indiscernible) the condition for granting this petition.

12 Now we on the one hand, SeaAlaska opposes this petition
13 for the above reasons. But I'm happy to report (indiscernible)
14 it is not necessary for SeaAlaska to (indiscernible) with any
15 city boundary to help communities. We have a long history of
16 successfully working with local governments to help provide
17 many essential services even though our lands are not within
18 municipal boundaries. Here are some examples.

19 Water systems. We have helped with the reconstruction
20 and establishment of new water systems for the villages of
21 Hoona, Kake, Craig, and Hydaburg.

22 Transportation. We have entered into road agreements
23 to allow construction of new roads or upgrades to existing
24 roads that are on SeaAlaska land. Here are three examples on
25 Prince of Wales. The Big (indiscernible) Highway north of

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1 Klawok, the way to the village of Kutan (ph) on the east side
2 of the island, and the Hydaburg Highway to the south. Another
3 example is on Hop (ph) Island where we helped with the upgrade
4 of the road from Kake to Seal Point. And a final road example
5 comes from Hoona on Chichagof Island where we have helped build
6 numerous roads.

7 Next let's talk about utilities. SeaAlaska has helped
8 utilities be established on its lands. The oldest and most
9 successful example is that of Reynolds Creek hydro electric
10 facility that provides services for eight communities on Prince
11 of Wales Island from Hydaburg to the south, to Kaufman's Cove
12 to the north, Thorne Bay to the east, and Naukati to the west.
13 The facility itself is entirely located on SeaAlaska land near
14 Klawok, and much of the transmission lines are on SeaAlaska
15 lands as well. We recently authorized Reynolds Creek Electric
16 Cooperative to install a hydro electric facility on Basina (ph)
17 Creek that will provide service to the village of Hoona. Maybe
18 this authority some day will provide service to Tenakee
19 Springs, Pelican, or other communities on Chichagof Island.

20 Lastly we are actively working with Hyda Power and
21 Alaska Power and Telephone on the Reynolds Creek hydro electric
22 facility to provide future power needs for Prince of Wales
23 Island. Alaska Power and Telephone, and others, have reported
24 to me personally that they found SeaAlaska much easier to work
25 with than federal and state agencies. I just wish to reiterate

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1 that municipal water shed, road and utilities examples I've
2 provided come from SeaAlaska lands that are not within a
3 municipal boundary.

4 Moving on on a specific project I'd like to talk about
5 another way that we have worked with southeast Alaska
6 communities on matters of common interests. We have worked
7 extensively with communities on Senator Murkowski's legislation
8 that were finalized our ANCSA land entirely. In this effort we
9 have a long history of working with Edna Bay and every other
10 southeast Alaska community by listening to their concerns and
11 then working with the senators and others on compromise
12 amendments to address these concerns. Here are some examples.

13 First is public access to the lands that would be
14 conveyed to SeaAlaska. This was the most prominent and
15 strongest issue that we heard from Edna Bay, and others,
16 because of their subsistence lifestyle that they have come to
17 enjoy by using these lands. We at SeaAlaska understand
18 subsistence. And in the interest of working with communities
19 SeaAlaska agreed in legislation to grant unprecedented access
20 to the public to lands that would be conveyed by this
21 legislation. I'm not aware of any private landowner anywhere
22 that has agreed to such rights and federal law, but SeaAlaska
23 felt that this was necessary to be a good neighbor. I can tell
24 you this was in the face of strong criticism by other Alaska
25 Native organizations and some of our own shareholders.

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1 Second, we have worked in the legislation to provide
2 access to existing roads and trails above and beyond what ANCSA
3 would normally provide.

4 Third, and specially with respect to Edna Bay the
5 originally proposed lands for conveyance to SeaAlaska that
6 would include the swimming hole. After listening to Edna Bay
7 we removed this area from the (indiscernible) selection as
8 requested because we learned that this is a source of water in
9 times of drought then residents water system is so low and they
10 need water. Also the name would suggest this is a source of
11 recreation for the community.

12 In short, we have responded to concerns shared with us
13 by Edna Bay and others. I can tell you this was an extensive
14 process that included over 225 meetings with the public, city,
15 conservation organizations, agencies and others. I know
16 because I attended each and every one of them.

17 In conclusion we don't believe the Local Boundary
18 Commission should grant this petition because of the limited
19 nature of services that are being proposed, an inactive budget,
20 an unrealistic reliance on state and federal funds, and what
21 appears to be an unfair targeted tax on the timber industry. I
22 wish to reiterate that municipal water shed road and utility
23 examples I've provided come from SeaAlaska lands that are not
24 within a municipal boundary. Having said that, we look forward
25 to working with Edna Bay to help provide the services such as

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1 these regardless of the outcome of this process, especially
2 when Senator Murkowski's land legislation passes congress.
3 Finally, we trust the process and this commission to reach the
4 correct conclusion. Thank you for this opportunity to offer
5 testimony.

6 CHAIRMAN CHRYSTAL: Thank you, Mr. Wolfe. Any
7 commissioners have questions? Commissioner Harcharak?

8 COMMISSIONER HARCHARAK: Commissioner Harcharak. Mr.
9 Wolfe, would you please elaborate on the comment, or statement
10 of the tax to the logging industry?

11 CHAIRMAN CHRYSTAL: Did you hear him okay? I'm not
12 sure how that went.

13 (Off record comments)

14 COMMISSIONER HARCHARAK: My question again, Mr. Wolfe,
15 would you please elaborate on a statement that you made toward
16 the end of your presentation about a blatant attack on the
17 logging industry. Would you explain what you're trying to tell
18 us?

19 MR. WOLFE: Okay. Commissioner Harcharak, let me see
20 if I got the question. I'm going to repeat it. If I don't
21 have the question correctly please correct me. Towards the end
22 of my testimony I made a statement regarding a tax on the
23 timber industry. Is that the nature.....

24 COMMISSIONER HARCHARAK: Correct.

25 MR. WOLFE:of your question?

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P.O. Box 100464
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1 COMMISSIONER HARCHARAK: Yes, it is. And I would like
2 you to elaborate on that because I don't see it.

3 MR. WOLFE: Okay. In essence the basis of this comes
4 from the petitioner's response to our comments on the draft of
5 the staff's preliminary report. And in that petitioner's
6 response there was a statement that the petition should be
7 granted provided there is a 10 percent ex-vessel tax on timber.
8 And -- let's see. I'm just -- yeah. I've had a chance now
9 to -- handed the petitioner's response and the sentence that
10 I'm referring to says, the Commission should consider, as a
11 condition of approval of this petition, that Edna Bay enact a
12 10 percent tax on the ex-vessel value of all timber harvested
13 within the boundaries delineated in this petition. And I guess
14 after the petition that originally said that they weren't going
15 to have any taxes, then in this response to our response, they
16 proposed really only this tax. That leads me to believe that
17 perhaps their targeting the timber industry.

18 COMMISSIONER HARCHARAK: All right. Thank you.

19 CHAIRMAN CHRYSTAL: Any other questions for Mr. Wolfe?
20 Okay. Thank you, Mr. Wolfe. At this time we have the
21 petitioner's responsive sworn witness testimony. This could be
22 -- you have to be sworn in, yeah.

23 MR. WILLIAMS: Well, actually he's not a -- he's the
24 petitioner's responsive name is not as the witness -- we'll go
25 ahead and swear him in regardless. It can't hurt.

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1 CHAIRMAN CHRYSTAL: No, he's not a witness. He's just
2 a response.

3 MR. WILLIAMS: He is -- all right. So.....

4 CHAIRMAN CHRYSTAL: Well, it says sworn witness thing
5 here. So.....

6 MR. WILLIAMS: Okay. Let's do it. It can't hurt.

7 CHAIRMAN CHRYSTAL: Yeah, let's just do it.

8 (Witness sworn)

9 MR. GREIF: I do.

10 MR. WILLIAMS: Thank you.

11 MR. GREIF: Well, that was very interesting, Mr.
12 Wolfe. And I appreciate your comments. It's kind of
13 interesting that when we formed those boundaries we did not
14 know that we were infringing on SeaAlaska's potential land
15 accumulation. As it turns out, we did. I don't feel like --
16 I've been in the timber industry since I was 15 years old and
17 I'm not -- have no war with the timber industry. I'm very
18 favorable. I'm really disappointed that SeaAlaska spent so
19 much time on the conclusion of Naukati when in the LBC's final
20 report here in Edna Bay stated very clearly that there is no
21 comparison.

22 MR. WOLFE: Mr. Chairman, I.....

23 CHAIRMAN CHRYSTAL: Excuse me.

24 UNIDENTIFIED VOICE: You're out of order.

25 CHAIRMAN CHRYSTAL: Everybody has their fair chance.

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1 MR. WOLFE: I read -- is this Mr. Gates (ph) closing
2 statement now?

3 CHAIRMAN CHRYSTAL: No, it is not. This is not the
4 closing statement. It is a responsive witness statement.

5 MR. GREIF: It's Greif. The LBC reports on page 13,
6 the respondents concerns about the proposed city finances are
7 well taken. But after carefully considering those concerns and
8 examining the community's financial management, Commerce finds
9 that the situation differs from that of Naukati. Naukati has
10 had a much bigger budget, showed resistance to taxes. No such
11 opposition was expressed here. Further, the proposed city of
12 Edna Bay would start with \$100,000 in reserves. Third, it
13 would have lower expenses than Naukati and an income to
14 expenses ratio of 3.62 to 1 after the organization grants in.
15 The figure would be higher while the organization grants were
16 being distributed in the first two fiscal years.

17 I would say that there is a confusion about what a bush
18 city should provide versus what a rural community should
19 provide. If we were in Thorne Bay there is a need for sewer,
20 sidewalks, paved roads, VPSO and so on. In this community we
21 are 50 people and that community is four to 600. The services
22 that we render here now are very viable, very necessary and
23 taking care of very well. When we grow I am sure that with the
24 attitude that we have presented to you here, we will -- when
25 the community, the members who live here require more services,

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1 we will at that time enter into a situation of revenue such a
2 property tax or sales tax or volunteer giving to meet those
3 needs. As I understand it, this city, if we ever become one,
4 has no way to impose a tax on anyone unless it's voted on by
5 the members of the community and passes by majority rule. So
6 therefore, I cannot project what we will do in the future that
7 we promise to act accordingly and meet the needs of the people
8 here by the vote of the people here.

9 And, you know what, I really haven't got any more to
10 say to you.

11 CHAIRMAN CHRYSTAL: Okay. Thank you, sir. We'll have
12 to wait until public comments and at this point.....

13 UNIDENTIFIED VOICE: I'll be swearing as a witness. I
14 have some things that I can directly respond to. I wasn't sure
15 what the witnesses response -- it was a pleural word.

16 CHAIRMAN CHRYSTAL: Yeah, I know that is and we can't
17 get into a tit for tat type of thing here like in a court
18 system. We could argue all day long. That's why we have the
19 sworn testimony and the witnesses. We still have the public
20 comment period coming up very shortly. Yes, sir?

21 MR. WILLIAMS: I believe at this point the Chair -- the
22 petitioner's sworn witnesses to respond to the respondent's
23 statement.

24 CHAIRMAN CHRYSTAL: Okay. Well, that would be.....

25 MR. WILLIAMS: And called upon by the.....

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1 MR. GRIEF: I would call upon Myla for more
2 information.

3 MS. POLSTRA: Okay. I would like to address some of
4 the points -- oh, this is Myla Polstra. And I would like to
5 address some of the points that.....

6 CHAIRMAN CHRYSTAL: You want to come up here a little
7 closer so we can.....

8 MS. POLSTRA: Sure. I would like to address some of
9 the points that Mr. Wolfe raised. And in his first point he
10 said that we cannot provide for a full scale of services. And
11 that leaves me a little bit confused by what I have read and
12 reviewed on the State of Alaska web site regarding second class
13 cities and their requirement to provide services. According to
14 the section on municipal government on LogOn on the State of
15 Alaska web site, second class cities are required to provide
16 services nor are they required to provide platting and
17 planning. And so while it would be our option to exercise some
18 of those things, it is not, to my understanding, a requirement
19 and therefore I did not advise Mr. Grief that they needed to be
20 included in the petition because it was our understanding that
21 we were within our correct framework to want to continue to
22 provide the services that we currently do.

23 As far as the -- limiting us to the grey boundaries,
24 again you run into what I brought up in my testimony. If the
25 State of Alaska had not created the southeast forest and

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1 removed all of that acreage, what he's referring to includes
2 those acres that have been removed. We now lack adequate lands
3 to select from. Those are going to have to be located
4 somewhere within inside the boundaries that we put in the
5 petition. And so I would ask the Commission to consider those
6 conditions that have been brought into the picture since this
7 community was originally founded. We now have much less to
8 work with.

9 In response to some of their comments on helping us
10 with our services and some of the things that they've done for
11 other communities, I think it's commendable that SeaAlaska has
12 been willing to step forward and so much for other communities
13 in other places. For Edna Bay SeaAlaska cannot resolve the
14 easement issues that we have. They cannot resolve the public
15 right-of-way issues that we have been advised can only be
16 resolved by a municipal entity that can take ownership of the
17 roads and therefore correct the easement issues. So even
18 though there may be things that they could offer us that would
19 be beneficial, at the heart of what stands to cause our
20 community to stop to function, they cannot resolve those issues
21 for us.

22 And the other thing that I would like to say is that in
23 regard to the comment that he made about the condition of our
24 equipment that was morbid in the comment from Jerry Crew. The
25 comment that was submitted was done to support the purpose and

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

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1 the opinion of the person who commented. The reality of the
2 situation with our equipment that was cited is that -- and I
3 could go through every single piece of equipment and every
4 single thing that was cited, but in reality the equipment that
5 was noted was either donated to the community and accepted
6 without thought of how we were going to utilize it, like the
7 fire truck, for example. It doesn't have the capacity -- it's
8 a two wheel drive vehicle. It can't even be taken up and down
9 Charley Creek Bridge where the bridge is to respond to a fire.
10 It's made to be used with a fire hydrant. It was donated to
11 the community by the Wrangell Fire Department and it was done
12 at a time when it seemed like a good idea but in reality it has
13 had no practical use. So it sits as a monument at the head of
14 the bay because shipping it back out of here would cost more
15 than just having it where it is.

16 The ambulance was a very similar situation. It was
17 donated to the community. The community worked very diligently
18 at trying to maintain it but we live in a rain forest. We have
19 no adequate places to store equipment and as the years went by
20 it simply aged out and needed more repairs than was practical
21 to do. And so it was voted on at a meeting and we decided to
22 sell it. Someone in the community bought the ambulance and it
23 was utilized on a private basis. Our EMS is very well
24 equipped. We are supplied with all of the equipment that we
25 need through SerRims (ph). We have responders that are ready

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

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1 to respond at any time and we have adequate equipment to do so.

2 A lot of the things that he is -- and were talked about
3 in that comments were simply taken out of context for the
4 purpose of painting a different picture of our community. And
5 so I would just ask that you take that into consideration when
6 you make your decision. And I think that pretty well covers
7 what I have to share.

8 CHAIRMAN CHRYSTAL: Okay. Does the petitioner have any
9 other responsive sworn witnesses to bring forward? Okay. At
10 this time then we're done with that responsive portion. Right
11 now, unless I'm missing something here, we're going to roll
12 ahead to number 7 on the second day's agenda. We'll come into
13 that with a public comment period because we didn't give the
14 morning portion here today but we covered it under this --
15 yesterday's portion. So we'll move on to the public comment
16 period and this is a chance for anybody that's here to speak
17 your mind. When you do come up state your name and hopefully
18 keep it relatively short. Okay. Could everybody out there
19 please mute their phones. We're getting a lot of feedback. I
20 think that might have done it. Oh, maybe not. Could you all
21 three mute your phones in the background for now? Is that
22 good?

23 MR. WILLIAMS: Chair, before we start the public
24 comment -- this is Brent Williams. A couple thoughts. One, we
25 have that list of (indiscernible) items. There might be some

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1 people who cannot appear tomorrow but could appear now. So I'd
2 ask who those folks are so they can get their say in. And then
3 did the Chair -- I want to give the fact there's the standby
4 regulations, three minutes.....

5 CHAIRMAN CHRYSTAL: Right.

6 MR. WILLIAMS:but if they want to have a
7 different time and if so.....

8 CHAIRMAN CHRYSTAL: Right. We'd like to keep it to
9 three minutes or so. But if you happen to run over a little
10 bit, that's okay too, I guess. We're not going to -- you know,
11 but don't run over very far because we could be here for a long
12 time. Yes?

13 COMMISSIONER HARRINGTON: Are we taking public comments
14 on the phone as well?

15 CHAIRMAN CHRYSTAL: On the phone as well, yeah.

16 MR. WILLIAMS: Chair, I think we might be able to have
17 even at six months, that's 10 an hour. I counted 20 people on
18 the sign up list.

19 CHAIRMAN CHRYSTAL: That wanted to speak?

20 MR. WILLIAMS: Right. And it could be more who signed
21 up to appear by phone, but that's two hours right there which I
22 do not think is reasonable. So perhaps six minutes is.....

23 CHAIRMAN CHRYSTAL: Yeah. You know, five or six
24 minutes. We'll probably go with the sign up list, whoever
25 signed up first gets to talk first. Yes?

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P.O. Box 100464
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1 UNIDENTIFIED VOICE: I was going to ask, as someone who
2 was a witness, am I also allowed to comment publicly?

3 CHAIRMAN CHRYSTAL: Yes.

4 UNIDENTIFIED VOICE: Okay. Thank you.

5 CHAIRMAN CHRYSTAL: Yes. So we'll go ahead and start
6 with that then. We would like to keep it as relatively short
7 as we can but if you run over a little bit, that's okay. It's
8 not a real big room. Okay. The first one is Kenny Widmyer?

9 MR. ENINGOWUK: There's another page, the front page.

10 CHAIRMAN CHRYSTAL: Oh, I thought this was the first
11 page. Oh, okay. All right. I stand corrected. Karen
12 Williams, please. Is she here? Just sit right here so
13 everybody can hear you on the phone. And speak your name and
14 so on.

15 MS. WILLIAMS: My name is Karen Williams. And I'm
16 presently the vice president of our community. I'm also
17 holding the office of EMS manager presently. I've lived here
18 for 22 years. I've worked at the school, I've worked at our
19 church, and I just want everyone to understand that we have an
20 extremely hard working EMS. It has been set up years prior and
21 has been continued, and the last two years with my management
22 we've increased in numbers, we've increased in our registered
23 ETTs and certified CPR personnel. I am told by the SerRams
24 that we have the largest number of CPR certifications in any
25 small community in southeast Alaska. I'm very pleased to say

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1 that everyone here works together whether they love each other,
2 like each other, or not. We're always there for each other's
3 back regardless of what happens. And democracy is very
4 important to me as well as to our community. And I can see
5 nothing to be lost and much to be gained by becoming a second
6 class city. And I would like to continue working and helping
7 the community in any capacity that I can. And in that 22 years
8 I've raised four daughters that -- the last graduated from
9 school out here and she went to college and is holding a
10 \$100,000 a year job, so she was educated properly in Edna Bay
11 obviously. I have 25 grandchildren, six kids, and I'm
12 presently going to be engaging a son of ours and six of his
13 children that will be living in Edna Bay by winter I am hoping.
14 And so we are encouraging our family to come. We are
15 encouraging our children that have grown up here to come back
16 and help us prosper. And Edna Bay is a beautiful place. If
17 you were here today you'd understand. And so I am standing for
18 the second class city. I'm surely in favor of all of it.

19 CHAIRMAN CHRYSTAL: Thank you, Ms. Williams. Twenty-
20 five grandkids. Wow!

21 MS. WILLIAMS: Correct.

22 CHAIRMAN CHRYSTAL: I've only got three. Any
23 questions? Okay. The next person is Mike Williams.

24

25 MR. WILLIAMS: I'm Mike Williams. And I don't know

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P.O. Box 100464
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1 what to say that my wife didn't already say. I've lived here
2 22 years also. I'm in and out of this bay quite a bit. I work
3 construction and I work all over the place. And I love this
4 place. And I always have. And the people that govern over
5 this place now, the people that run our little offices and
6 stuff are totally unselfish. They do this stuff, all volunteer
7 work. They would continue to carry on in this community
8 forever it need be. I have all the confidence in the world in
9 that. And I do see the benefits of a second class city out
10 here. I believe before it's over with -- we'd really regret it
11 if it doesn't happen. And we're really glad to see you
12 gentlemen here and paying us this attention. And I just hope
13 that it all goes well for us. Thank you for your time.

14 CHAIRMAN CHRYSTAL: Thank you, Mr. Williams. Okay.
15 The next speaker is Pat Richter.

16 MR. RICHTER: I don't have anything to say.

17 CHAIRMAN CHRYSTAL: Okay. And then Sharon Wargi? Is
18 that right?

19 MS. WARGI: Yes.

20 CHAIRMAN CHRYSTAL: Okay.

21 MS. WARGI: When I filled that out I thought it was a
22 sign in sheet, but I just -- I'm Sharon Wargi. I just want you
23 to know that we're totally in favor of a second class city. I
24 think it's a wonderful idea. Our family is here. We've been
25 here 12 years and we love it. So I'm just hoping everything

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1 goes the way we want it to. Thank you.

2 CHAIRMAN CHRYSTAL: Thank you. Actually this is a
3 combination sign in sheet and comment. You had to say yes or
4 no on the comment part. But -- the next one is Dick Wargi.
5 Okay. No? Okay. And then Joe Wargi.

6 MR. WARGI: My name is Joe Wargi. And I just want to
7 say that I totally support this and am in favor for it. I
8 think it is necessary for this community to grow the way we
9 want it to. That's all I got to say.

10 CHAIRMAN CHRYSTAL: Thank you. And then Heather
11 Richter.

12 MS. RICHTER: All right. So, you know, I already gave
13 my testimony earlier. The comment I guess I want to make after
14 listening to SeaAlaska's testimony is that -- and in addition
15 to what Myla has already added to that. My understanding of
16 state statute is that a VPSO is not a requirement for a second
17 class city, and so I feel that is why this was not addressed in
18 the petition. We don't have a VPSO here. We've never had a
19 VPSO. And I don't believe there's any need for one. So it
20 would not be prudent to address that in the petition or in the
21 budget to add one. I don't think it's the desire of the
22 people. Like I said earlier, I've been serving as either vice
23 president or president of the community for the last 13 years
24 and my understanding of the peoples desire is that why would we
25 have something we don't need. And so that's what I have to say

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P.O. Box 100464
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1 about that.

2 The next thing is I'd like to remind SeaAlaska that we
3 are not addressing their legislation in this petition. This
4 petition solely addresses the needs and the welfare of the Edna
5 Bay community. So this is not -- I feel it is not the avenue -
6 - the correct avenue to -- I guess what I'm saying is I feel
7 that they're trying to respond to the things in the legislation
8 and that's not the situation that we're here about today. And
9 then I guess I'm sort of curious to know what other municipal
10 incorporations that in the past that SeaAlaska has testified,
11 or that they were involved in. And other than that I think
12 that's it.

13 CHAIRMAN CHRYSTAL: Okay. Thank you.

14 MS. RICHTER: Thank you.

15 CHAIRMAN CHRYSTAL: All right. When I call your name
16 you don't have to come up and say anything if you don't want
17 to. Just say yes or no, or whatever. Doris Greif, you did say
18 no on this?

19 MS. GREIF: Yes.

20 CHAIRMAN CHRYSTAL: Okay. Lee Greif?

21 MR. GREIF: I have nothing further.

22 CHAIRMAN CHRYSTAL: Nothing further. Okay. And then
23 Lois Morgan?

24 MR. WILLIAMS: Chair, can we make sure that the
25 respondents are on the line? I just want to make sure that

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P.O. Box 100464
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1 we're not losing anyone.

2 CHAIRMAN CHRYSTAL: Sure.

3 MR. ENINGOWUK: Hi, this is Brice. Is everybody still
4 on the line?

5 MR. WOLFE: Yeah. Hi, Brice. This is Ron Wolfe.
6 We're still here.

7 MR. ENINGOWUK: Okay. Yeah, we're getting some random
8 beeps on the phone, so we're just double-checking to make sure.
9 We have somebody coming up now so back to the Chair. Thank
10 you.

11 CHAIRMAN CHRYSTAL: Okay. Just state your name when
12 you start to talk there.

13 MS. MORGAN: I am Lois Morgan. I've lived here since
14 '82. I love Edna Bay also. I don't like big government. I
15 don't like legion size government. I like the tiniest bit of
16 government I can get. I've been a school board member for 10
17 years for southeast island and chairman of the board and
18 learned a lot there about politics. I ask you to consider this
19 application carefully and prayerfully so that you will do the
20 right thing. I don't know if we should be a second class city
21 or not, but most people in the bay get aggravated with me,
22 whichever side they're on because I don't take sides,
23 especially when I don't know what the right answer is. So it's
24 in your court. Please consider it really carefully because it
25 will make a big difference to us. Thank you.

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P.O. Box 100464
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1 CHAIRMAN CHRYSTAL: Thank you. And I can promise you
2 we will try to do our very best. Okay. Robert Morgan.

3 MS. MORGAN: Oh, he couldn't stand it this long.

4 CHAIRMAN CHRYSTAL: Okay. How about Susan Crew?

5 MS. CREW: My name is Susan Crew. And I'd like to
6 thank you guys for coming out for the chance to hear what we
7 have to say. And I don't know, I feel like -- well, no, I
8 promised. The first thing I'll have to say that I hope you
9 guys read the comments. I believe they were attributed to
10 Jerry Crew because I sent them out under his email. It was a
11 long and unedited comment. That was my fault for having other
12 things get in my way of getting that done. So I need to
13 apologize to the Near family. They've objected to my statement
14 on page 2 which basically says that the teacher would leave the
15 community by June 1st. While it is true that they will be gone
16 by June 1st, as you heard him say they do plan to come back.
17 They would like to live here when they've finished some other
18 commitments they have. And so I apologize for that. And I
19 would also like to point out that the quote to which they
20 objected was not intended to state who would stay and who would
21 not, because I believe that that's something that is pretty
22 hard to say. I mean how can I plan what I'm going to do
23 tomorrow? I mean I might have a heart attack on my way home
24 today and that will be it.

25 CHAIRMAN CHRYSTAL: Let's hope not.

ANCHORAGE TRANSCRIPTIONS

P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 MS. MORGAN: Yes. So that comment was something to
2 convey the concept that people who reside in Edna Bay, the
3 feeling that eight persons would constitute 25 percent of the
4 community. And it was addressed to the fact that the
5 population figures in. Some of the paperwork seemed to me to
6 be somewhat eschewed. And I really feel like if you really
7 want a good idea of who lives in Edna Bay you should take a
8 look at the telephone book. Most of the people who live here
9 are listed in the telephone book. Not all, but most of the
10 people who live here. So, you know, taking a good look at
11 what's in the phone book is a good idea if you want a good idea
12 of population.

13 And I really wasn't going to address the issue with the
14 equipment but since it did come up, I will. In my other
15 comments I pointed out that I didn't feel that -- or my husband
16 and I don't feel that the community has done a good job of
17 caring for their physical assets. They've done, I believe, a
18 very good job with our finances. But our physical assets, the
19 fire truck -- yeah, it was a strange thing to have in Edna Bay.
20 It became totally unusable when it was left with water in it
21 and froze the pumps in the wintertime. The ambulance the same.
22 But the maintenance. I mean I would have to disagree with
23 whoever it was said it had diligent maintenance. At that time
24 I was the EMS director. I begged for someone to work on that
25 ambulance and I got nowhere. We sold it. The gentleman who

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 bought it was able to repair and drive it away. Although it
2 hadn't -- how should I say this? The entire time that I was
3 EMS director it did not move. It could not move. It had
4 something to do with the fuel lines which I'm not capable of
5 fixing myself.

6 We had a backhoe, as had a dump truck. I don't know if
7 they were donated or if the community bought them, but they
8 were sold in a fairly decrepit condition for lack of
9 maintenance. I also stated in my comments that our boardwalks,
10 rather than being repaired, had signs put on them, warning,
11 keep off. We have just lately decided to go ahead and repair
12 them, which is a good thing. Our EMS four-wheeler was left
13 for, I don't know, most of two years with flat tires and a dead
14 battery. I don't know how to say this. I love my community
15 and you're going to hear a lot of sniggering out here. We
16 spent five summers -- we lived in Sitka, we spent five summers
17 researching in the wintertime and traveling in the summer from
18 Ketchikan to Skagway looking for the place that we wanted to
19 be. And we fell in love with Edna Bay and moved here. I enjoy
20 the people here. Obviously there's people that I am closer to
21 than others. And when I say I love the community of Edna Bay,
22 I really don't believe that love is blind, that love is
23 ignorant. I don't believe that love would agree against its
24 personal principals just to get along. That's co-dependence,
25 it's not love. And so the things I see, the concerns I have, I

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P.O. Box 100464
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1 believe I have a right to air them without repercussion and
2 whatnot.

3 I'm not a word-smith. I work real hard and I generally
4 come up with the right word next week, or the right phrase.
5 And, you know, I don't always make a good word picture. I
6 struggle. If you don't understand what I'm trying to get to,
7 or whatever, feel free to interrupt me if that's fair. You can
8 do that and ask a question. I guess to start with, in this
9 whole scenario I've been quite disappointed that the
10 petitioners didn't choose to make all the work they were doing
11 on this petition open to the community. It's been mostly kept
12 under wraps to a lot of us. We didn't realize a petition was
13 even going in until it was ready to be signed. I would still
14 like to know, I have questions, what do the petitioners
15 actually envision? What are their plans? Where do they want
16 to go? Even sitting here today I'm left going okay, so what
17 does that mean? Where is that going to put us? And these are
18 questions I have not had answered.

19 I requested an informal meeting of the petitioners and
20 they basically said that they were^{nt} required to have a meeting,
21 therefore they wouldn't. But they did the next day say that
22 they would take emails. Email questions? Well, that's a real
23 difficult format and I did email some questions. But at the
24 next community meeting we were told that there would be no more
25 email questions either. That was the end of that. To my

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1 knowledge the only real public meeting held by the petitioners
2 ended with the petitioners walking out and the meeting broke
3 up.

4 I guess I struggle with all this. One of the big ones
5 is on the petition itself. Twenty-five signatures were
6 required. I believe it has 32 or 33 signatures on it. But
7 Exhibit A says that those are the signatures of people who
8 currently maintain their principal place of residence within
9 the territory proposed for the corporation. I called and spoke
10 with Brent. I asked for that definition of principal place of
11 residence and he told me it meant what it said. So I struggle
12 with the signers on that petition who do not live here.
13 There's a gentleman, I don't know if he's still on the phone
14 now or not, he has never lived here. He doesn't -- at the time
15 he signed the petition there was no roof over his head.
16 There's several petitioners, or signers, that have never lived
17 here. I would -- I'm not sure that the petitioners could get
18 25 signatures if the people had to live here in order to get it
19 signed. They may. But I would question it. And at least one,
20 possibly two, of the signers were not qualified voters, as I
21 understand qualified voters from talking to Brent. Qualified
22 voters would be people registered to vote in Edna Bay. And so
23 I question the validity of the petition itself for that reason.

24 I'm not sure I want to say all of this so I'm taking a
25 quick look at what I put on here related to, you know, what's

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 happening. I'm concerned about some of the things that go on
2 within our local government. One in particular is that we talk
3 about maintaining a municipality here and doing things the way
4 they should be done, and yet we maintain a policy of serious
5 discrimination in how we award contracts from the city. I
6 don't know if you guys want me to go into what the policy is or
7 simply say.....

8 CHAIRMAN CHRYSTAL: Basically we want your opinion on
9 whether you think we should or should not be a.....

10 MS. MORGAN: Okay. I am very concerned.....

11 CHAIRMAN CHRYSTAL:second class.....

12 MS. MORGAN:about pushing this on to another
13 level until we can manage to do things a little more -- with
14 less discrimination, where we're at now. I'm concerned that we
15 have never managed to come up with an Army Corps of Engineers
16 permit for putting in culverts and ditches. Those are federal
17 requirements that the city knows are required but has chosen
18 not to get. Those are small things, I suppose, but to me they
19 indicate something that maybe we should work on before we
20 decide to take that step to be a government. And I guess, you
21 know, like I said people say, they have always accused me of
22 hating the community and maybe that's so. Maybe they say so,
23 but then on the other hand it's okay. I mean it's possible to
24 love something that is somewhat dysfunctional without turning a
25 blind eye to those disfunctions.

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

101

1 I don't feel that we have reached the stage where we
2 should be trying for a second class city. I see other options
3 to a lot of the things that we've talked about today. That
4 million dollar bridge is not the only option. There are other
5 options to fixing our bridges. It would take a few years of
6 saving up our money and spending it, but it's possible to fix
7 our own bridges. I'm wondering on the questions in previous
8 testimony on the Edna Bay budget. On the postal subsidy, isn't
9 that an ongoing bill? I believe it is. I'm wondering if that
10 monies we have in the bank includes the money for the contracts
11 that were awarded, or have been awarded in this community? So
12 those are just small things that I picked up during that other
13 discussion. And I thank you for listening to me.

14 CHAIRMAN CHRYSTAL: Okay. Thank you. And everybody
15 always has the right to speak their mind. Becky Crew, I guess
16 you -- I see a no here.

17 MS. CREW: No.

18 CHAIRMAN CHRYSTAL: Okay. John Wright? As I said, no
19 one has to.

20 MR. WRIGHT: Yeah, I know. But -- I'm John Wright.

21 CHAIRMAN CHRYSTAL: That other chair is a little closer
22 to the phone right here.

23 MR. WRIGHT: Okay. Sure. I'm John Wright. I am the
24 newest person in this community and when I first heard about
25 the city I was like, whoa, no. And I still hold reservation.

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

102

1 And the people know my -- I hope you know because I'd rather
2 disagree with you and have you know where I stand.

3 CHAIRMAN CHRYSTAL: Can you speak into the phone here?

4 MR. WRIGHT: I would rather have them disagree with me
5 but know where I stand. At least they'll know. That's a good
6 thing. I'm like this on becoming a city or not. I've worked
7 for several small cities in my lifetime and it scares me. One
8 of the things that -- one of my main concerns is I live on
9 \$1200 a month. As the city grows -- once you open that door,
10 the city will grow. Things will happen. There's going to be
11 more services asked of it, different things. So I guess that
12 scares me too, I don't want to be taxed out. And that's
13 probably my biggest concern. The people who are running it
14 right now do an excellent job and I was told on some of the
15 things of costs and how much they receive, don't receive. And
16 I think everybody needs to be commended on that. I would like
17 to see more people attend the community meetings because
18 there's people that aren't coming. And whether you agree or
19 not -- I think it's okay to disagree. But we still need to
20 stand together as a community. So like I said, there's some
21 more things I'd like to find out and get on line. But just use
22 your discretion and hope everything goes good for all of us
23 here.

24 CHAIRMAN CHRYSTAL: Thank you.

25 MR. WRIGHT: Thank you.

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

103

1 CHAIRMAN CHRYSTAL: If you can figure out a way to get
2 more people to come to meetings you'd be really popular. Ever
3 watch a TV show of the Anchorage assembly and in a city of 200
4 and some thousand people there'd be 10 people attend. Angela
5 Near?

6 MS. NEAR: No.

7 CHAIRMAN CHRYSTAL: Oh, it says no. So I presume it's
8 still a no? Well, I don't want to twist your arm, but.....

9 MS. NEAR: My name is Angela Near. I'm married to the
10 teacher here so I work at the school. And we've been here for
11 about nine months. And I've attended most of the meetings here
12 and we lived -- for two years previous to Edna Bay we lived on
13 another very small town on Prince of Wales Island, and
14 comparatively the organization and efficiency of this community
15 board is just amazing to me. The amount of money that they
16 work with, they have a large amount of money in their balance
17 and they take care of the town well. They run everything
18 efficiently and I've been very impressed with that. With the
19 organization and their efficiency. And so having seen another
20 small town that did not run real well and that did not have
21 much money to work with, they didn't have the love of their
22 community as much as what I've seen here. The community board
23 here in Edna Bay has a love for their community and want to see
24 it prosper and do well, and I think the second class city would
25 protect them from what could possibly happen as far as the

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

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1 boroughization and keep them -- the local government more in
2 control of what they have. Thank you.

3 CHAIRMAN CHRYSTAL: Thank you. Scotty Palmer?

4 MR. PALMER: Nothing.

5 CHAIRMAN CHRYSTAL: Nothing. Okay. You had a question
6 mark here, so I didn't -- wasn't sure. Charleen Bartels?

7 MS. BARTELS: That's me. Good afternoon. Thank you
8 for being here. My name is Charleen Bartels. I've lived here
9 in Edna Bay since 1982. My husband and I are going to be
10 celebrating our 49th wedding anniversary this year, and we've
11 had three other couples here in Edna Bay within the last four
12 years that have celebrated their 40th anniversary. So we have
13 people here that work hard and they work hard at life. And
14 you've heard a lot of the testimonies here about how we all
15 work and volunteer and we try to do our best at what we got to
16 work with here.

17 We've raised our family here. We have two daughters.
18 They both attended this school, they both graduated from this
19 school, they both went on to college and they both graduated
20 from college. One magna cum laude and one with just a cum
21 laude. So they got a very good education here in Edna Bay. We
22 have six grandchildren and they all love it here. They love
23 coming here and some even say they want to live here someday.
24 So that warms my heart. And I'd like to see that happen
25 someday but who knows?

ANCHORAGE TRANSCRIPTIONS

P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 I love this community. Took me a long time to decide
2 how I felt about a second class city. Years ago I was totally
3 against it because I didn't think we were ready for it. My
4 main reason why I am in favor of a second class city is because
5 I can't even imagine us being boroughed into another government
6 away from here. I can't imagine it. We are so individualistic
7 here and we like to decide our own decisions. We like our life
8 style the way it is. I want to keep Edna Bay the same as it is
9 today. But to be realistic, as far as I understand the State
10 of Alaska has a law saying that every community has to become a
11 government or be boroughed in, and I would like to see that law
12 and if that is true. Because I know that the feasibility study
13 that Prince of Wales has had Edna Bay on it and wants to
14 borough Edna Bay into it. And I know that other communities,
15 you know, have talked about it to me and wanting to borough us
16 in. If they boroughed us in we would lose all of our revenue
17 sharing money and we wouldn't have any money to do any of the
18 services that we have now. And that's my main reason why I
19 would want to have a second class city is because I love Edna
20 Bay. I don't want to be under the thumb of another government
21 that's not here and don't understand our life style that we
22 have here and we worked hard to have. And that's the main
23 reason why I want a second class city. Thank you for listening
24 to my comments.

25 CHAIRMAN CHRYSAL: Thank you. My wife and I will

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 reach 50 before you do. Rockwell Near.

2 MR. NEAR: Hi.

3 CHAIRMAN CHRYSTAL: Oh, same one. Okay. You going to
4 make any.....

5 MR. NEAR: I have no further comments.

6 CHAIRMAN CHRYSTAL: Okay. Sander Henson?

7 MS. HENSON: Sandra Henson.

8 CHAIRMAN CHRYSTAL: Sandra Henson. Okay.

9 MS. HENSON: No comment.

10 CHAIRMAN CHRYSTAL: Okay. And Steve Schellberger, no
11 comment. Is that right? Oh, you're going fishing. Good day
12 to go fishing. Kenny Widmyer. Okay. Same. Curtis Greif?

13 MR. GREIF: Yeah.

14 CHAIRMAN CHRYSTAL: You wish to speak?

15 MR. GREIF: Sure. May I stand if I want to?

16 CHAIRMAN CHRYSTAL: Sure. Just make sure you speak
17 your name and.....

18 MR. GREIF: My name is Curtis Greif. I like being up
19 here in Alaska. This is my second year here. I was up here
20 before about six years and I really like living up here. And I
21 like this town. That's pretty much all I got right now.

22 CHAIRMAN CHRYSTAL: All right.

23 MR. GREIF: So thank you.

24 CHAIRMAN CHRYSTAL: You better come to the state fair
25 in Palmer. Cy is going to be there. (Indiscernible). Thank

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 you. John Dodson?

2 UNIDENTIFIED VOICE: No.

3 CHAIRMAN CHRYSTAL: Jedidiah Near. No? Okay. Logan
4 Richter?

5 MR. RICHTER: No comment.

6 CHAIRMAN CHRYSTAL: No comment. Polstra, Teran. Is
7 that right? I'm probably masacering (ph) that first name.

8 UNIDENTIFIED VOICE: No comment.

9 CHAIRMAN CHRYSTAL: No comment. Okay. And Ross
10 Bartels?

11 MR. BARTELS: I hope you enjoyed your vacation
12 yesterday.

13 CHAIRMAN CHRYSTAL: No.

14 MR. BARTELS: Work today, not over the weekend.

15 CHAIRMAN CHRYSTAL: Very boring, frankly. Nothing but
16 three cruise ships full of people.

17 MR. BARTELS: We appreciate your being here and what I
18 want to share with you -- I'm going to have to put my glasses
19 on, is there's been a lot of conjecture or maybe this will
20 happen, speculation. What I want to tell you is not
21 speculation. I want to tell you what this community has done
22 in the past. Our two girls graduated right in this very room
23 from high school. They went to Grand Canyon because the
24 community supported them. They had (indiscernible). It
25 probably cost a hundred bucks if you got one of the cheaper

ANCHORAGE TRANSCRIPTIONS

P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 ones. But we supported this school and we supported -- you've
2 seen the testimonies from what's happened here in the past.
3 Thirty years plus residents, way back when. We live in the
4 west side of Edna Bay. There were 12 kids on this side of the
5 bay then. We built a trail to the school so in high tide the
6 kids wouldn't have to get wet. There was nothing as far as how
7 much an hour. They were your kids, they were our kids, they
8 were our neighbors kids. We built it. We didn't ask for
9 money. This community is built on integrity and commitment to
10 what it does through projects like that. In about 1983 was the
11 boardwalk. 1985 we had a local grid built, state money, local
12 labor, in the middle of winter with flood jammers. We would
13 skiff over there and beat the rock out of the way actually with
14 sledge hammers. And that's how we got our grid in place by
15 integrity and commitment from the local people. We didn't hire
16 a blasting company to come in. We didn't have the money. We
17 knew how to do it. We weren't afraid of work. 1989 the
18 East/West community road. We had some funding that was talked
19 about but it was community labor, that's why the bill was less
20 than half. This community is not afraid to work. It's
21 integrity. It's written down. This is not speculation. This
22 is what the community did with what we had and what we will do
23 with what we're going to have in the future. You have these
24 projects. You have 25 or 30 years of upkeep on these projects.
25 Done by community labor. This is not speculation. This is not

ANCHORAGE TRANSCRIPTIONS

P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 something that yeah, I don't think your community can hold it.
2 This is past history. It's done, it's completed, and it will
3 be done in the future like it has been done in the past.
4 That's why I'm for this. I live on a limited income too,
5 believe me. The local post office, the non-federal post
6 office. We used grant money. We've had that post office for
7 15 or 20 years and again we never -- there was no revenue
8 sharing money. What happened? We had to get our own. Don't
9 you hate that. (Indiscernible). The post office needs it. So
10 we supported it. We didn't get a write off. We didn't get
11 anything. But we kept our post office open because this
12 community has integrity and commitment. It's proven. It's not
13 speculation. You guys can look it up. That's what happened.
14 And so it's short and to the point here. When things are
15 sweet, they're sweet. Can we do everything? Probably not.
16 But our past has proven the integrity and commitment to keep
17 this community together and do what we need to do. We want you
18 to know that. Thank you.

19 CHAIRMAN CHRYSTAL: Thank you, sir. Mike Williams?

20 MR. WILLIAMS: I have nothing else.

21 CHAIRMAN CHRYSTAL: Nothing else? Okay. Terry
22 Polstra?

23 MR. POLSTRA: Good afternoon. My name is Terry
24 Polstra. I'd just like to say that I live here in Edna Bay and
25 I've enjoyed it all the years I've been here. I work on the

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P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 North Slope in the oil field and I always look forward to
2 coming back to Edna Bay. And with our infrastructure as it is
3 I look forward to coming back and being able to drive on good
4 roads and get to my home as well. And I hope this goes
5 favorable for us. Thank you, gentlemen, for your time.

6 CHAIRMAN CHRYSTAL: Thank you for your comments.
7 Carleigh Fairchild.

8 MS. FAIRCHILD: Good afternoon. I'm Carleigh
9 Fairchild. And I am a new resident here in Edna Bay as of last
10 year. And some people, they say I may not know what I'm
11 getting myself into by living here. I'm going to up and leave.
12 Well, people don't know that from the time I was born I was
13 tenacious and independent. And I know what I want. And when I
14 came here I saw what I've been looking for. And I'm ready and
15 willing to get trained to step up and become part of this
16 community. I've been to most community meetings since I've
17 been here. And if we are able to become a second class city
18 I'm willing to put the time in to help that become a reality
19 and follows the rules that will be needed as a second class
20 city.

21 CHAIRMAN CHRYSTAL: Thank you. I bet you will. Okay.
22 One more. Tyler Polstra.

23 MR. POLSTRA: My name is Tyler Polstra. I'm a born and
24 raised Alaska resident and we moved to Edna Bay in the year
25 2000. I've been here and paid close attention since the very

1 beginning. I want to be part of my government, serve my
2 community and do everything I can in my power to make it better
3 place. The life blood that makes this place what it is, make
4 sit so unique. I feel like, listening to all the different
5 comments, you gentlemen are getting a pretty good perspective
6 of the type of place that this is and why it can't be compared
7 to other communities in the region, and why we can do what we
8 say we can do. And I feel like I know it's possible. I know
9 that we can step up and do the right thing. And there's always
10 two ways to look at anything. Even something positive, if you
11 want to you can see it negative. And I would like to speak on
12 behalf of the respondent I've listened to everything that was
13 said. I feel like there aren't really borders crossing here
14 because I almost feel offended that there's so much negativity
15 being poured into a process that's just residents trying to be
16 responsible for ourself, trying to self govern, trying to do
17 what we were meant to do when the community was started and
18 fostered into existence by the State of Alaska. We're doing
19 what we should be doing. And we're being shamed by an entity
20 that has no land here at this time. So I feel offended by that
21 a little bit and I wanted to say that.

22 And there's a few other clarifications like all cities
23 have old equipment that they sell. It gets used up, eventually
24 gets old, you have to sell it. Things get worn down, they have
25 to be repaired or replaced. That's the stage we're at. The

ANCHORAGE TRANSCRIPTIONS

P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 community built most of the infrastructure, purchased most of
2 the things 20 years ago, 30 years ago. We're at the point
3 where that's why this precipice is so critical for us. We are
4 fixing things. We are stepping up. We're doing what needs to
5 be done but there are so many hurdles because of all these
6 things we're trying to do to be responsible that it takes a lot
7 of work. But it also takes a lot of backing. We have the
8 clout hopefully to do it. We have the personnel and the human
9 capacity to deal with the things that we have -- that we're
10 facing, but we have to have more support. Which is why
11 governing status exists. Which is why there are frameworks
12 like second class city for places like this. Because there are
13 so many unique things that encompass what our community is, it
14 makes changing the status necessary because a borough can't
15 provide the things that we need here. We're too far away.
16 We're not on the road system. We, as you saw, can't fly in
17 sometimes. You can't get out by water sometimes. There are
18 things that we have to do locally that no one else can provide.
19 And we've shown that we have the tenaciousness to step up, to
20 volunteer selflessly, and make all the things we need happen.
21 And I'm very confident that we can step up to the plate and
22 successfully manage a second class city. And that's why in my
23 heart of hearts know we can do what's necessary, and I am in
24 full support of second class city. And I'd like to thank the
25 LBC for working so closely with everyone, for everyone's part

ANCHORAGE TRANSCRIPTIONS

P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 in this process. It's been very transparent on a local level.
2 We've tried very hard to make sure everybody has avenues to
3 communicate, to share information, to get emails, to try and
4 encourage as much participation as possible in the process.
5 And the assistance we've had from our local government
6 specialists in the state has been really fast and fascinating
7 and been wonderful. It's been a great process and this is an
8 eye opening experience to me still. I want to thank everybody
9 for your time and for this opportunity to comment.

10 CHAIRMAN CHRYSTAL: Thank you very much. Okay. It's
11 time for the closing statements. Maybe we'll take about a 10
12 minute break.....

13 COMMISSIONER HARRINGTON: You might want to check and
14 see if there are any comments on line.

15 CHAIRMAN CHRYSTAL: Oh, I'm sorry. You're right. Are
16 there any public comments on the telephone, please?

17 MR. BEEBE: Hi, this is David Beebe, representing the
18 City of (ind^{ic}ernible).

19 CHAIRMAN CHRYSTAL: Okay.

20 MR. BEEBE: I would just like to sort of reflect on
21 what my 30 year experience dealing with other southeast Alaska
22 second class city. And I would like to hold out that the
23 community spirit has survived since 1975. Has not only
24 survived but has thrived. And I will be forever grateful for
25 the ability to live in a small community where people bond

ANCHORAGE TRANSCRIPTIONS

P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 together for the common purpose. And that purpose is not
2 profit driven, it is driven by a community spirit. And I found
3 (indiscernible) in stark contrast to -- with SeaAlaska putting
4 its view on these matters. I've had the pleasure to be a part
5 of the process by which nine communities banded together that
6 were directly threatened by SeaAlaska's intentions. And as we
7 all know, the progress of that (indiscernible) has gone nowhere
8 precisely because it was upgraded to an element to that
9 objective to squelch the small community spirit that therefore
10 the tribes in rural Alaska also tell us it is particularly
11 ironic that there were claims about the impossibility of a
12 second class city to function, to adequately meet what our
13 requirement was as we were expecting some other far and wider
14 group of people would. And the City of Kupreanof is the
15 designated river community. We are connected by a trail system
16 and we really increased the alternative that provides for us.
17 It involves a very high quality of life. And that opportunity
18 is a very rare thing. And we also truly appreciate the
19 excellence that the community development enjoy and other
20 agencies have provided for the City of Kupreanof. We've been
21 able to get over some rough spots in our past and by the way,
22 we have a (indiscernible) fund established and we have very
23 tight control over our funds. And we really appreciate that
24 local control and our ability of self determination. And we
25 (indiscernible) with SeaAlaska's statements that would call up

ANCHORAGE TRANSCRIPTIONS

P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 the question, solvency matters. I can't help but notice that
2 in a news report today that SeaAlaska itself reported a \$35
3 million loss. And I have to question, you know, after all that
4 is a (indiscernible) corporation and their intentions are
5 really at odds with the community spirits of southeast Alaska.
6 And I really appreciate the ability to open these rural
7 locations and I just think folks (indiscernible). I accept
8 bringing up the fact that again this failure over the SeaAlaska
9 legislation to occur I think is really -- makes it a self
10 evident that they intend to sort of impose a land ownership
11 through political channels that are highly contentious. And I
12 hope that the LBC appreciates the contrast between that sort of
13 criss-crossing (ph) mentality that does not really provide for
14 sustainable economies in communities versus the community
15 spirit that you will always find in rural Alaska. So with that
16 I thank you for the opportunity to comment.

17 CHAIRMAN CHRYSTAL: Thank you for your comments. Is
18 there anybody else out there want to make any public comments?
19 Nobody else? Okay. I'll move on to the next item then.
20 We're done with public comments and we have petitioner's
21 closing statement coming up. So we'll take about a 10 minute
22 break and then we'll do that. And then the respondent's
23 closing statement. So it's about 3:57 right now. So we'll be
24 adjourned for 10 minutes.

25 (Off record)

ANCHORAGE TRANSCRIPTIONS

P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 (On record)

2 CHAIRMAN CHRYSTAL: Okay. We'll call the meeting back
3 to order at 4:15. We are the point in the agenda of
4 petitioner's closing statement. Up to 10 minutes time. I
5 presume you're giving the petitioner's closing statement?
6 Okay. Yeah, move over here if you would. And then we'll
7 follow that with the respondent's closing statement and then
8 the petitioner has another reply to the closing statement.

9 MR. GREIF: My name is Lee Greif. My closing statement
10 is that we, the community of Edna Bay, want to in every way
11 possible retain who we are. We are a little village. We are
12 building. It's been said so many times here that we're afraid
13 of -- we're not afraid of a borough. We're afraid of what will
14 happen to our identify if a borough comes into being before we
15 become a second class city. Or municipality. I like that word
16 better.

17 You gentlemen came in on the airplane float up there
18 and you came up the approach -- and I don't know if you noticed
19 but there's a telephone there at the end of the covered
20 approach. That phone has never been there until last week. We
21 paid for that out of the community funds. So that anyone who
22 visits here in a boat who has an emergency or wants to contact
23 someone in the bay can get on that phone free of charge and
24 call anyone in the bay. Now if it's a long distance call you
25 will have to use your phone card and pay for the long distance

ANCHORAGE TRANSCRIPTIONS

P.O. Box 100464
ANCHORAGE, ALASKA 99501

(907) 764-3227

1 expenses. But my point is, if we had become a borough before
2 that phone got in there I really.....

3 MR. WILLIAMS: Chair.....

4 CHAIRMAN CHRYSTAL: Excuse me just a second.

5 MR. WILLIAMS: Sorry. Someone's been cut off on the
6 phone. We might want to.....

7 CHAIRMAN CHRYSTAL: Someone said they were cut off?

8 MR. WILLIAMS: So we might want to check.....

9 CHAIRMAN CHRYSTAL: Who was cut off?

10 MR. WILLIAMS: Ron Wolfe.

11 UNIDENTIFIED VOICE: Are they still on mute?

12 CHAIRMAN CHRYSTAL: He was cut off or somebody else?

13 MR. ENINGOWUK: I got a text from Ron that he was cut
14 off at 4:10.

15 CHAIRMAN CHRYSTAL: We didn't do anything until just a
16 minute ago.

17 MR. ENINGOWUK: My concern is are they still on now?

18 CHAIRMAN CHRYSTAL: Okay. Mr. Wolfe, are you there?

19 MR. WOLFE: We are now. We heard the most recent of
20 what Mr. Greif had to say.

21 CHAIRMAN CHRYSTAL: Okay. That's all that's happened
22 since 10 after.

23 MR. WOLFE: Yeah. So there's no need for
24 (indiscernible).

25 CHAIRMAN CHRYSTAL: Okay. Thank you. Go ahead, Mr.

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1 Greif.

2 MR. GREIF: Our concern is that those funds would
3 probably not have been appropriated from a borough for such a
4 foolish small piece of equipment. But that is not a small
5 piece of equipment to us. It's very important to us. And that
6 is what we are concerned about if we become a borough before we
7 become a second class city. Things that we do here to improve
8 our community are not going to be top priority for a government
9 on Prince of Wales when they have their own problems. Bigger
10 problems. We're going to be a part of that and we're going to
11 pay for part of that eventually, yes. We're not against doing
12 that. We are wanting to continue on with improvements here
13 that we need as a community.

14 As far as the clerk goes, people are scared to death
15 that are clerk is going to starve to death. That's not true.
16 I know we're going to have to pay a clerk. I am ready to pay
17 the clerk. The clerk wants to volunteer at this time. This
18 community -- when the motion comes before the government here
19 to pay the clerk, I have every intent on supporting that and
20 paying her. You fellows -- it was cool to hear you guys say
21 oh, yeah, we're volunteers too. You identified with us. And
22 it can't always be that way, can it, with say the clerk?
23 Because I think the paperwork is going to amount up as we
24 become more efficient in our second class city if we become
25 one. And therefore I see a need to pay that person. And it

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119

1 won't be 150,000 a year like the administrator over in Thorne
2 Bay. It's going to be within reason. And that person is going
3 to be part of the process and I feel confident that that
4 person, whoever it is, will be compensated fairly.

5 Like I said before, what we're trying to do is protect
6 our lifestyle and get some things done in the infrastructure
7 that will improve our lifestyle when they finally meet their
8 end such as the bridge. I'm not going to address one of the
9 local comments here because it would take too long except for
10 the one about the individual who probably shouldn't vote or
11 sign, he wasn't living here when he signed the petition. That
12 man has spent a lot of money. He's got a beautiful building
13 right now and his intention is to live in Edna Bay soon. So
14 you see, there's a certain amount of truth in all criticism but
15 you got to get to the root, to the bottom of it. That man
16 would be insulted if he'd heard this.

17 I think you've heard it all and I don't want to take
18 any more of your time. Again, like everyone else said, pro and
19 con, thank you coming.

20 CHAIRMAN CRYSTAL: Thank you for your comments. Okay.
21 At this time we're open to the respondent's closing statement.

22 MR. WOLFE: Yeah. Thank you, Mr. Chairman. Let me
23 open up with a couple of apologies. First to Mr. Greif for
24 mispronouncing his name. Mr. Greif, my last name is
25 Tinninghast. And if you could just take a few seconds to

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1 imagine how people have butchered that one over the years.
2 I'll apologize also the Chair for that unwelcome interruption.
3 I was taking the lawyer's view of what's permissible rebuttal
4 testimony and what's closing argument and I should have learned
5 by now that being a lawyer sometimes is not the best way to
6 make friends and influence people. Which I probably have not
7 made a whole lot of friends in Edna Bay today anyway.

8 Before getting into the meat of my closing I wanted for
9 just a minute to respond to Mr. Greif's reading, or
10 paraphrasing of the staff's attempt to distinguish Naukati.
11 And there are three grounds. Now remember that ruling in
12 Naukati, one if that it's too risky. And that's the
13 Commission's words, not mine. Too risky to rely primarily on
14 federal and state grant funds to fund your city. And the
15 second part is that if the community is at first taxing itself,
16 that is a good indication that in the long run that community
17 is not going to be supported.

18 The first way that the staff attempted to distinguish
19 Naukati was to say that it has \$100,000 reserve presently. I
20 don't see how having \$100,000 reserve effects the pertinence of
21 either one of those things. The second is that in this case,
22 the Edna Bay case, there's no opposition to local taxation as
23 there was in Naukati. But we know that the petition declined
24 to even suggest imposing a property or a sales tax. But they
25 go even further in declining to provide the information

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1 required for this Commission to estimate what a property tax or
2 a sales tax would yield. And we've heard at least two
3 witnesses testify that one reason that they want to organize in
4 this fashion is to avoid a borough which would carry with it
5 taxation which they're opposed to. The third is that here
6 there is a very high ratio of costs -- of revenue costs. The
7 problem with that is that the revenues consist of 97 percent of
8 them consist of uncertain -- again, that's (indiscernible) word
9 not mine, uncertain future state revenue sharing and full
10 revenues. And that the expenses are too low. A \$32,000
11 budget, for all the reasons that have been brought out in this
12 hearing, is unrealistically low. So you put very high
13 uncertain revenues together with deflated costs you're
14 obviously going to get a very favorable ratio.

15 I want to get into the meat of my closing by giving you
16 a specific -- and this statistic comes from the preliminary
17 report in Naukati petition. The Department of Commerce put
18 three studies together and from those studies they came to a
19 number of conclusions, including this one. That of all the
20 second class cities in the unorganized borough that have fewer
21 than 200 residents, and that's a class in which Edna Bay would
22 become a member of, that 65 percent suffer severe financial
23 difficulties. And I focused on that because almost all of what
24 we've heard today has to do with need. And as compelling as I
25 said some of you might have been, they need the bridge fixed

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1 and they need to fix the harbor, need is one of the factors on
2 which the petitioner's have the burden of proof but it's not
3 the only factor.

4 I'm going to focus, as I said in my opening, now on two
5 others. I'm going to focus on Section 020 where it says that
6 Edna Bay has the burden of proving that they have the financial
7 resources necessary to provide essential municipal services,
8 and that they can generate those at the local level. That's
9 Section 020(1)(c). And second, that the petition is in the
10 best interest of the state, which is what I'll end with.

11 Now, some of the rebuttal witnesses are absolutely
12 right that with respect to second class cities there are very
13 few mandatory services that they have to perform, and figuring
14 out what the essential municipal services are is a case by case
15 inquiry. It depends on what the needs are of the community.
16 And the first place that you look to see what those needs are -
17 - well, first you go to the essential services that they need
18 to provide. And in this case those are only four. Road
19 maintenance, maintaining the dock and bridges. These services
20 and helping to deliver the mail, and road maintenance and dock
21 maintenance consume over half the budget. So it is, I think,
22 fair to say that what is being proposed here is not a general
23 purpose unit of government but rather a special service
24 district. And it's a special service district of the kind that
25 they have in Los Angeles, and what the framers of our

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1 constitution tried so hard to stay away from.

2 As to what other municipal services there are that
3 aren't budgeted, the first thing you would look at would be the
4 narrative in the petition itself. And you find that the
5 petitioners themselves have identified four additional
6 essential municipal services which they say are needed but for
7 which they budget absolutely nothing. One is solid waste
8 disposal. There is not a penny allocated for either planning,
9 much less implementation of any solid waste disposal plan. The
10 second is electricity generation and transmission which
11 consumes a great deal of the petitioner's brief. They also
12 claim that there is an urgent need to begin water quality
13 monitoring and to begin a sewage treatment plan. There is
14 neither planning or money in the budget for that. And finally
15 they say that there are land use conflicts there that are in
16 critical need of having planning and zoning implemented. And
17 the way it reads is it needs to be implemented now. But
18 there's not a penny allocated for planning and zoning. They
19 don't even allocate money for a person to review building
20 permits.

21 Now in addition to essential municipal services, which
22 the petitioners concede that they need but which they don't
23 fund, there are others that are just inevitable. And I'll just
24 mention two. They're going to need legal assistance. At some
25 point they're going to be sued. At some point they're going to

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1 have to enter into a very complex contract. And they're also
2 going to need liability insurance. And in Naukati \$10,000 a
3 year was budgeted for liability insurance and that was eight
4 years ago. So when you weigh just that list of essential
5 municipal services, that small contracted list, the \$4800 in
6 harbor fees, which is the only source of local revenue that
7 they're going to generate, looks pretty faulty.

8 Now the department report explains that in the course
9 of reviewing your decision, would apply what's called a
10 reasonable basis test. Now in accepting that argument
11 innuendo, and I want to credit your staff for the amount of
12 work that they have done on the report which is a great deal,
13 there simply is no reasonable basis for concluding that the end
14 likelihood that significant local revenue will be raised to
15 help fund this city. And there's one illustration of that I'd
16 kind of like to provide. It's on page 21 of the preliminary
17 report. In considering the city's ability to generate revenue
18 at the local level, which you are required to consider under
19 Section 020(1)(c). It's that first list, property tax. But
20 they declare that discussion moot because the city will not be
21 assessing a property tax. They then declare a similar sales
22 tax discussion, equally moot for the same reason. So when you
23 moot out property taxes and you moot out sales taxes, you've
24 pretty much eliminated any reasonable basis for concluding that
25 the new city will have a significant source of local revenues.

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1 I want to talk for a minute about the other pertinent
2 regulation which is the best interest of the state regulation,
3 this 045. And it has three components. And I don't think that
4 the petition here satisfies any of them. The first is that
5 it's not going to minimize in the long run the number of local
6 government because the petition says not envisioning performing
7 most essential useful functions. Or at least it doesn't budget
8 for providing them. So eventually some other type of
9 development will have to take those burdens over.

10 The second, it's in the best interest of the state if
11 the municipality is going to relieve the state of the funding
12 of local services. The problem here is that the fundamental
13 purpose of this petition is to provide a means to attract
14 additional state funding and become more dependent on state
15 government to meet what are obviously totally local needs. And
16 in the report the first discussion on need concludes that Edna
17 Bay needs to incorporate because it needs more state money from
18 our general fund, or some finite federal pass through money
19 that will come at the expense of other state budgets. Finally,
20 you need to look at, under the reg, whether incorporation is
21 the substantial risk of assuming the liabilities of the city if
22 and when the petitioners, you know, voluntary city government
23 becomes too forwardly optimistic. By law, and you know this
24 (indiscernible - too close to microphone) you don't need to be
25 told. By law if this city becomes insolvent it becomes the

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1 state's obligation to assume its debts and any services that
2 it's contractually liable for, they essentially guarantee it.
3 And that's why in the report that Mr. Wolfe gave you from the
4 Department of Commerce, he said that they had to be vigilant to
5 make sure that they were not going to approve a corporation
6 unless the petitioner's, for its burden of proof, have proven
7 long term economic viability. You can see Alaska has a case
8 problem. We won't worry about that. Let us worry about that.
9 Well, we're on the verge -- also on the verge -- there is a
10 possibility that we are going to become the largest private
11 landowner with this new city, although I'll tell you that I
12 heard nothing today that explains why it's absolutely necessary
13 for SeaAlaska's land to be included within the borough
14 boundaries. I know they say they -- excuse me. I'm getting
15 ahead of myself.

16 SeaAlaska's land is currently federal land. And
17 apparently they want to include that land so they'll have a
18 bigger base from which to select their entitlement acreage.
19 The problem with that is that it is currently federal land.
20 And folks at the state legislature isn't going to help with
21 that. They're going to need an act of congress if they want to
22 take any local land that is currently owned by SeaAlaska, and
23 if you want to get (indiscernible) I think you've just reached
24 the zenith of speculation as far as any possibility of doing
25 that.

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1 So we become a large landowner inside what we call a
2 city. What does that mean? We don't know. But we do know it
3 creates an enormous amount of economic uncertainty. And I
4 think that -- you know, call up a large business inside the
5 boundaries of the City of Detroit and ask them what it feels
6 like to be within the boundaries of a bankrupt city. And they
7 will probably tell you that it doesn't feel very good. We
8 don't want to feel that bad either.

9 I've been impressed by today's testimony. I suggest
10 that we hear (indiscernible). And the community's volunteer
11 efforts at the present are beyond commendable. You know, I
12 tell you, it's probably safe to say that these folks have put a
13 lot more of their heart into their community than I have into
14 mine and it makes me in a way feel kind of ashamed of myself.
15 But your regulations, and all the responsibility as trustees
16 for the state's interests, demand that some hard economic
17 questions be answered before you deputize even the best
18 intended people to go out and incur debt and provide services
19 for which the State of Alaska maybe ultimately responsible.

20 CHAIRMAN CHRYSTAL: Running a little long. Can you
21 start to wrap it up, please?

22 MR. TILLINGHAST: That completes my comments. So that
23 was good timing.

24 CHAIRMAN CHRYSTAL: All right. Okay. Thank you very
25 much. Now we have one last chance for the petitioner's reply

1 and closing statement in five minutes.

2 MR. GREIF: I have a question for SeaAlaska.

3 CHAIRMAN CHRYSTAL: No, no, you have a closing
4 statement. We don't have.....

5 MR. GREIF: It's in my statement.

6 CHAIRMAN CHRYSTAL: Oh, in your -- well, okay. It is a
7 statement?

8 MR. GREIF: Yes, it is.

9 CHAIRMAN CHRYSTAL: You can't -- we don't have a
10 question and answer.

11 MR. GREIF: That's true. He can't answer.

12 CHAIRMAN CHRYSTAL: No.

13 MR. GREIF: Okay. My statement then is a \$35 million
14 loss I'd consider to be irresponsible management. We have
15 \$100,000 savings account. I know it doesn't compare by numbers
16 but it shows more responsible than SeaAlaska. As far as solid
17 waste goes, this is a desire that we have. It's a future
18 event. We did not set money aside for it because we don't know
19 what it's going to look like yet because it's going to come
20 from the vote of the people. We don't impose things on the
21 people of this community. We ask them, what do you want? And
22 we're not objecting to taxation either. If the people of this
23 community -- I've said this before, you must not have heard me.
24 If they want a service they'll have to be some way to pay for
25 it. They will vote for that. If they don't want the service

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1 they won't vote for whatever it is. I just resent the
2 attitude. You know, we're after self government. We don't
3 want to be a ward of the state or SeaAlaska either, for that
4 matter. They misunderstand the way Alaska statute 29.65.100 is
5 designed to provide land selection from the federal lands
6 evidently. SeaAlaska currently has no land here. We provided
7 essential services in our current legal way for nearly 25
8 years. And there's no reason to believe that that trend will
9 change.

10 And as far as legal services, we probably won't call
11 you. But the legal services that are offered by the state, we
12 will, for second class cities. You ought to look that one up
13 probably.

14 CHAIRMAN CHRYSTAL: Remember, you're talking to us.

15 MR. GREIF: Then you should know. Sorry. Okay. Good
16 correction. We can't project budgets for something that
17 doesn't exist yet. I suppose we could guess or we could have
18 some idea. But, you know, we can't even do that unless the
19 people say hey, yes, this is what we want. Municipal services
20 are not regulated, they're not demanded of us in any way, even
21 as a second class city. What we offer as services are six, not
22 four. And it's because the people required those services.

23 If revenue does fall short it will probably -- well, it
24 will, it will effect every city, first and second class, in
25 this entire state. That doesn't mean it won't happen, and we

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130

1 know that. But gentlemen, we are willing to go the extra mile,
2 to do whatever it takes to fulfill our obligation as officers
3 for a second class city as well as this community as it is
4 today. What I ask from you is to give the citizens of this
5 community the opportunity to settle this discussion in an
6 election. And that's all I have to say.

7 CHAIRMAN CHRYSTAL: Okay. Thank you. Okay. Mr.
8 Williams, did you have any information or clarification you
9 wanted to put out?

10 MR. WILLIAMS: I could go on for quite a while, sir.
11 I'm willing to do so.

12 CHAIRMAN CHRYSTAL: Okay. I didn't know if you had
13 anything relevant to this. Okay. The official ruling of this
14 hearing is closed at this time. And we still have a couple
15 things to do here. But tomorrow morning at 8:00 o'clock we
16 will meet in this room and we'll have what we call our
17 decisional meeting. And at that time we will make a decision,
18 or possibly not. We have 90 days to do it. But most likely we
19 will do something tomorrow. It's open to the public, of
20 course. And there will be no interaction between the public
21 and us. It will strictly be between the four of us here and
22 our staff members. And any guidance we may get from our
23 attorney. But otherwise it's for us. But it's certainly open.
24 And at this time then comments from commissioners or staff
25 before we adjourn? Yes?

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131

1 COMMISSIONER HARGRAVES: So there's no more opportunity
2 to ask questions of either side?

3 CHAIRMAN CHRYSTAL: Not now. No, you had chances
4 earlier but.....

5 COMMISSIONER HARGRAVES: Yeah. But these closing
6 comments that might raise questions on our part, we can't ask
7 questions on that?

8 CHAIRMAN CHRYSTAL: Well, you can -- well, I don't
9 know. Mr. Williams, comment on that? You would ask me a tough
10 question.

11 COMMISSIONER HARGRAVES: Well, I mean each side was so
12 powerful that it has raised conflicting ideas in my mind. The
13 second question.....

14 CHAIRMAN CHRYSTAL: You're shaking your head yes?

15 MR. WILLIAMS: No, no, no. The answer is yes. Both
16 today and.....

17 CHAIRMAN CHRYSTAL: Oh, we can ask questions.

18 MR. WILLIAMS: You all can ask questions tomorrow.

19 CHAIRMAN CHRYSTAL: Okay.

20 COMMISSIONER HARGRAVES: Yeah. That's kind of what I
21 thought.

22 CHAIRMAN CHRYSTAL: Okay.

23 COMMISSIONER HARGRAVES: A second thing is do we have a
24 map of this proposed city other than what SeaAlaska has
25 produced?

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1 MR. WILLIAMS: I'll put that down, sir. This is Brent
2 Williams. There are two maps provided. One is a smaller map
3 of the road area, and the other is the one on page 21, I
4 believe. And there's a difference between that and the one
5 brought by SeaAlaska. Basically there's a diagonal
6 (indiscernible). It's not a square, it's.....

7 CHAIRMAN CHRYSTAL: Yeah, I got a big one.

8 COMMISSIONER HARGRAVES: The topographical that shows
9 mountain tops and.....

10 MR. WILLIAMS: That is the topographical there.

11 COMMISSIONER HARGRAVES: Is that the one?

12 MR. WILLIAMS: That's topographical, yeah.

13 CHAIRMAN CHRYSTAL: Okay. I don't think we can -- Mr.
14 Williams, I don't believe we can use that map, can we? We
15 can't use a map that isn't presented in evidence.

16 COMMISSIONER HARGRAVES: It would give me an
17 opportunity to study some things tonight.

18 CHAIRMAN CHRYSTAL: Okay.

19 COMMISSIONER HARGRAVES: Sometimes I need to see big
20 things.

21 CHAIRMAN CHRYSTAL: Do you have any other questions or
22 comment?

23 COMMISSIONER HARGRAVES: That's the end of it.

24 CHAIRMAN CHRYSTAL: Commissioner Harcharak? Any
25 question or comments right now?

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1 COMMISSIONER HARCHARAK: It's been a stimulating day
2 and I'm impressed with the enthusiasm the folks in this
3 community exhibited and demonstrated. And when I asked you to
4 repeat your presentation, I realize I -- my notes are pretty
5 sufficient, at least for decision making, but -- I'll put it to
6 the side.

7 CHAIRMAN CHRYSTAL: Absolutely. Do you have any
8 comments or questions?

9 MR. TILLINGHAST: Mr. Chairman, at the risk of
10 interrupting again, I'm not supposed to -- we didn't hear any
11 of legal or other's comments.

12 CHAIRMAN CHRYSTAL: The question was asked by
13 Commissioner Hargraves if we could ask questions like during
14 the hearing tomorrow -- during the decisional meeting tomorrow.
15 And the question was answered yes, we can ask questions from
16 the Commission, but we don't commentary unless there's a
17 question asked. Is that clear?

18 MR. TILLINGHAST: Yeah. I thought something followed
19 that, but I guess not.

20 CHAIRMAN CHRYSTAL: Oh, the map. I'm sorry. There was
21 -- there's a map on the wall here in the school building and
22 the question was asked if they wanted to take it down and show
23 it to us, and we ruled that no, because it was not part of the
24 original presentation we cannot use that map for anything.
25 We've got maps in our packets.

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1 MR. TILLINGHAST: Yeah. Thank you, Mr. Chairman. That
2 was obviously what (indiscernible).

3 CHAIRMAN CHRYSTAL: Okay. Did you have something?

4 COMMISSIONER HARRINGTON: It's been an interesting.....

5 UNIDENTIFIED VOICE: This is Hollis. Are you folks
6 going to be available by phone access for listening in the
7 morning?

8 CHAIRMAN CHRYSTAL: Yes, we will be. Starting at 8:00
9 o'clock.

10 UNIDENTIFIED VOICE: Thank you very much.

11 CHAIRMAN CHRYSTAL: You bet. Okay. Let's try this
12 again.

13 COMMISSIONER HARRINGTON: I love the work I think that
14 you have demonstrated, I love the population, or the group of
15 you. You must represent half of the regular residents, at
16 least, right? And that is phenomenal to get this kind of turn
17 out. I appreciate it. It gives us a much better sense of the
18 community and much better idea of what it is we will be ruling
19 on. Thank you.

20 CHAIRMAN CHRYSTAL: Yeah.

21 IN UNISON: Thank you.

22 CHAIRMAN CHRYSTAL: I'm impressed with the number of
23 very good public speakers there are here today. And as a group
24 of citizens, you don't very often have people that are real
25 comfortable coming up in front and testifying before a bunch of

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1 strangers. So thank you for your kind thoughts and welcoming
2 when we got here. And I wish we could have done this all
3 yesterday but hopefully we'll finish up something tomorrow.
4 We're going to start -- we were planning on starting at 11:00
5 today but we'll be starting at 8:00 tomorrow so we can get
6 going a little earlier. Hopefully we'll finish up. There's
7 no guarantee we'll make a decision tomorrow. We've got 90
8 days, but most likely something will happen.

9 Now we will not -- by the way, we will not be
10 discussing any of this among us. This is all -- everything we
11 do as far as decision making is all done in public. We will
12 not be going back anywhere and talking about what we did here
13 today and making any decisions in private. You can rest
14 assured that whatever decisions we make and comments we make
15 will be done here tomorrow. So.....

16 UNIDENTIFIED VOICE: Thank you for coming.

17 CHAIRMAN CHRYSTAL: You bet.

18 MR. ENINGOWUK: Motion to adjourn.

19 CHAIRMAN CHRYSTAL: Oh, I'm sorry. Could we have a
20 motion to adjourn, please?

21 COMMISSIONER HARRINGTON: So moved.

22 COMMISSIONER HARCHARAK: Second.

23 CHAIRMAN CHRYSTAL: Okay. Okay. Motion by
24 Commissioner Harrington, seconded by -- what's your name again?

25 COMMISSIONER HARGRAVES: Hargraves, the last I heard.

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1 CHAIRMAN CHRYSTAL:Commissioner Hargraves. All
2 in favor say aye.

3 IN UNISON: Aye.

4 CHAIRMAN CHRYSTAL: We're adjourned.

5 (Adjourned - 5:14 p.m.)

6 (END OF DAY'S PROCEEDINGS)
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