

Petition

to the Local Boundary Commission to Incorporate

Nikiski as a Home Rule City

in the Kenai Peninsula Borough

Using the Local Option Method



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PETITION

The Petitioner hereby requests that the Alaska Local Boundary Commission approve this petition for incorporation of a Home Rule city government in the organized Kenai Peninsula Borough. The Petitioner seeks the proposed city incorporation under the standards and procedures provisions of AS 29.05.011 – AS 29.05.021; AS 29.05.060 – AS 29.05.150; 3 AAC 110.005 – 3 AAC 110.042; 3 AAC 110.400 – 3 AAC 110.700; and 3 AAC 110.900 – 3 AAC 110.990. All exhibits attached to this petition are incorporated by reference.

Section 1. Petitioner

The Petition for Incorporation of a Home Rule city consists of voters within the boundaries of the proposed city.

As provided in AS 29.05.060(11), the Petitioner for incorporation for a Home Rule city consists of the signatures and resident addresses of 50 registered voters in the proposed city, or of 15 percent of the registered voters in the proposed city as of the last general election, whichever is greater. The number of votes cast in the last state general election inside the proposed city is **1,785** as depicted below:

VOTERS IN RECENT GENERAL ELECTION

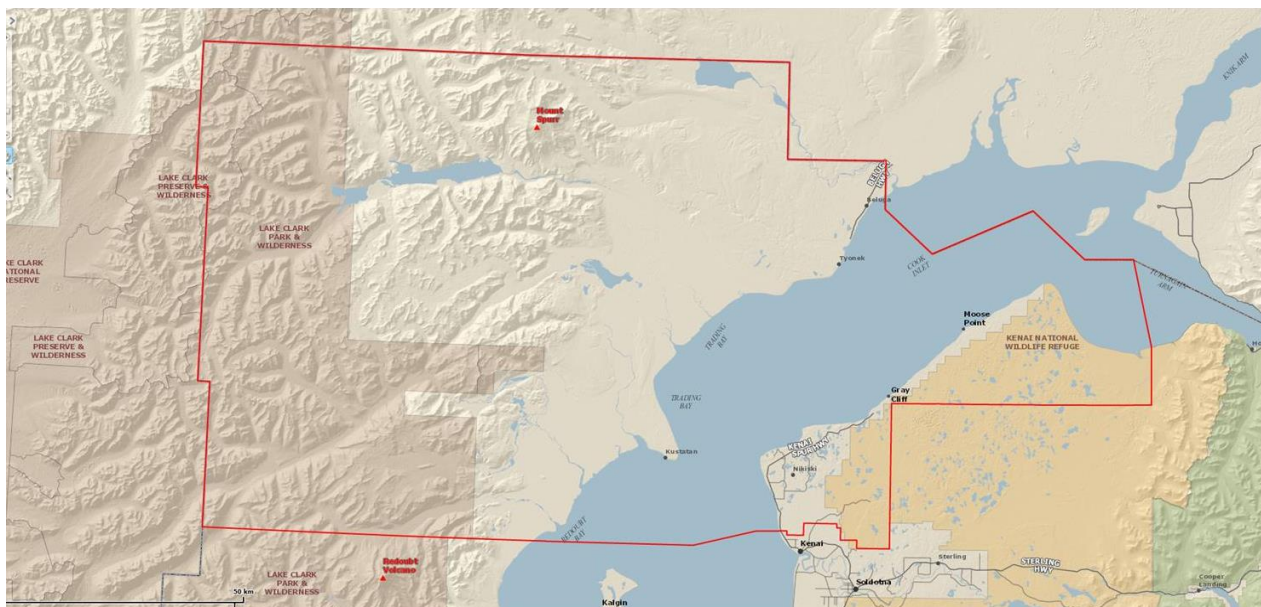
<u>DISTRICT/PRECINCT</u>	<u>REGISTERED VOTERS</u>	<u>CARDS CAST</u>
Nikiski 29-150	1,823	800
Salamatof 29-160	2,064	940
Tyonek 32-855	333	45
	4,220	1,785
		268
		15% of voters

A printout from the State of Alaska’s Division of Elections 2014 General Election Official Results documenting the number of voters is provided as **Exhibit A**. Voting Districts within the proposed city include Districts 29-150 (Nikiski), 29-160 (Salamatof) and 32-855 (Tyonek). These signers are collectively described as “the Petitioner” and are included in **Exhibit B**.

Commission (LBC) grant this Petition. Incorporation is subject to approval by voters of the territory proposed for incorporation per AS 29.05.110.

Section 5. General Description of Territory Proposed for City Incorporation

The City of Nikiski will be located in the Kenai Peninsula Borough bordering the city of Kenai. The City of Nikiski will be a 5,480 square mile area that includes the Cook Inlet and major industrial complexes with a population of approximately 5,985¹. This area is currently defined as the Nikiski Fire Service Area and funded by Nikiski property taxes (see **Exhibit E**). The petitioners are proposing to incorporate the city of Nikiski based on the current Nikiski Fire Service Area boundary as it is defined by the Kenai Peninsula Borough.



Section 6. Reasons for This Petition

The community or village of Nikiski is a traditional Kenaitze Indian occupied area and settlement. The original Alaskans hunted, trapped, and fished the Swanson River, Bishop (Kubina) Creek, Otter Creek, and their tributaries. The Kenaitze families survived on the abundant wild berries and herbs, woodland animals for food and furs, fish from the local creek to feed themselves and their dogs which were their main form

¹ Nikiski Fire Department F.Y. 2015-2016 Budget Handbook

of transportation. Local beaches were also used to gather wood for winter fuel and stones for making weapons.

The late 1800's and into the early 1900's saw commercial fishing and canning as the main industry along the Nikiski coast area. Commercial fishing in Cook Inlet remains a vital part of the local, as well as the statewide economy and the legacy of fishing families, some as long as 100+ years.

In the 1940's & 1950's the area became more inhabited with settlers and homesteaders during the era of Alaska's statehood, largely as a result of the homestead act of 1862. This act allowed for people to stake and claim as much as 160 acres; in Alaska, this act was legal, through repeals process, until 1986.

The 1960 gas discoveries on the Swanson River drainage, and the 1963 Cook Inlet Middle Ground Shoal, spurred the boom that has been the industry base that powers the Nikiski area today. Construction of the Nikiski Chevron refinery began in 1963, closely followed by the 1965 construction of offshore platforms and pipelines to the Shell Onshore facility in Port Nikiski. In 1968 the largest fertilizer plant on the West Coast was constructed in Nikiski using Cook Inlet Gas. The Tesoro Refinery was brought online in 1969, and the same year saw the Phillips 66 Liquefied Natural Gas Plant begin to export LNG from Nikiski to Japan. The most recent plant construction in Nikiski was the BP GTL (gas to liquids) Test Facility completed in 2003.

Nikiski is defined by the current service areas and by community settlements and residences that are unique and diverse culturally, economically, and geographically. Nikiski is unique within the Kenai Peninsula Borough. Nikiski's culture is engrained with strong industrial ties that define our way of life through the oil and gas supply and related processing unique to our area and economy. There is also a strong and viable commercial fishing sector that shapes both our way of life and our economy. There have traditionally been strong alliances between the Nikiski commercial fishermen and the industrial community with respect given to the natural resources while pursuing

energy development. Most Nikiski families work and subsist within these two industries that define our greater community lifestyle.

There are many factors driving Nikiski's desire to form its own municipality. Local services and capital improvements have been provided through local property taxes, grants, fund raising, revenue sharing, volunteerism, and donations. To preserve our community and the way of life offered here for future generations, we know that to overcome challenges facing our community, we have to take direct responsibility for our local government. The community has shown for the past 40 years that we are community minded, fiscally responsible for our Service Areas, and ready, willing and able to persevere.

The needs and vision for Nikiski were outlined in the Community Action Plan in 2001 by Nikiski residents, and revised/updated in 2012. These visions and improvements cannot succeed unless Nikiski has control of funding, expenditures and the ability to legally negotiate as a governing body. Historically, Nikiski's priorities and needs have been largely ignored over the desires of other communities within Kenai Peninsula Borough. For example, Nikiski property owners pay over \$2.2 million dollars in taxes annually for road maintenance and construction to the borough area-wide road service area, but consistently receive less than \$625k back in actual services². The remaining \$1.6 million+ of Nikiski's annual taxes are appropriated by the borough to other communities. These other communities have consistently voted down the opportunity to host big industry presence in their areas knowing the borough authorities will provide for them through Nikiski's taxes. Concomitantly, Nikiski residents are frustrated with pot-holes, deteriorating roads, poorly crowned streets that drain ineffectively and snow removal that occurs sometimes weeks after snowfall.

The citizens of Nikiski are prepared for a higher level of self-government which can only be offered by taking the steps in becoming an incorporated Home Rule City. The community of Nikiski is comprised of individuals who are interested in enhancing our

²Kenai Peninsula Borough 2016 Road Service Area B vs E Report – Attachment A

relationship with the State of Alaska through a more organized structure of government that will improve our ability to better manage economic, environmental, and political responsibilities as outlined in the State Constitution: **maximum local self-government** – that cannot be achieved by the current Borough Assembly, with only one seat representing the Nikiski community. Just as other Kenai Peninsula Borough communities have chose to incorporate to ensure maximum local self-government, Nikiski seeks to incorporate to directly provide public services to our residents and ensure our unique needs are met in the most efficient and responsive manner.

The City of Nikiski will provide the leadership in the services that are already established. Those services are currently being provided by service areas which will become departments of the city. This will become economically advantageous for the State of Alaska as we assume the responsibilities for our employees.

Nikiski is uniquely positioned to continue to provide the skilled services of our Fire Department, Recreation Department and Senior Center, as well as ensure that Road Maintenance Services be brought back and managed at the local level in the safest, most economical manner for our local taxpayers. Incorporating Nikiski will provide the opportunity to deliver the highest quality services and standards, without encumbering the local property taxpayer with unwarranted taxation.

Section 7. Legal Descriptions, Maps and Plats for Proposed City

Subsection 7-A. Territory proposed for incorporation.

A legal metes and bounds description of the boundaries of the territory proposed for incorporation is presented as **Exhibit C-1**. A map and plats of the territory proposed for incorporation is presented as **Exhibit C-2**.

Subsection 7-B. Current service areas planned within the proposed city.

There are four (4) existing Service Areas within the boundaries of the proposed city that will be subsumed into the City of Nikiski. These Service Areas that are funded through the territory property taxes are:

- a) Nikiski Fire Department

- b) North Peninsula Recreation
- c) Nikiski Senior Center
- d) Roads Service Area

A legal metes and bounds description for the boundaries of each service area as defined by the Kenai Peninsula Borough is planned in the city proposed for incorporation as shown in **Exhibits C-3a, C3b, C3c, C3d**. A map of the boundaries for each service area as documented by the Kenai Peninsula Borough and presented as **Exhibits C-4a, C4b, C4c, C4d**.

The current minor variances of boundaries for the North Peninsula Recreation Service Area and the Nikiski Senior Center Service Area will coalesce to the proposed territory boundary.

The current Road Service Area responsibility for unincorporated areas of the Kenai Peninsula will be reduced in their boundary by the City of Nikiski proposed boundary. Road maintenance within the proposed territory will be the responsibility of the City of Nikiski.

Subsection 7-C. Municipal Governments within the proposed city.

Tyonek – is a Dena'ina (Tanaina) community located within the Kenai Peninsula Borough but is not located directly on the Peninsula. It lays at approximately 61° 04' N Latitude, 151° 08' W Longitude (Sec. 01, T011N, R011W, Seward Meridian). The area encompasses 22 square miles of land and 3 square miles of water.



Tyonek is often referred to as a closed community. Most of its residents are Athabascan Indian and tribal members of the Native Village of Tyonek (NVT), a federally-recognized tribe. In 1915, Tyonek village was included in the 25,000-acre

Moquawkie Indian reservation. The reservation was dissolved when the Tyonek Native Corporation (TNC) was formed. TNC was given the opportunity to select the surface estate of the former reservation lands, and CIRI was granted the subsurface rights.

Today, TNC owns most of the land in and around Tyonek, and NVT operates as the traditional tribal government utilizing federal grant money to provide basic services to its tribal members. Some of these include a health clinic, youth programs, a community center, and residential assistance. NVT also performs maintenance on TNC-owned roads and the NVT-operated airport.

Tyonek objected to its inclusion when the Kenai Peninsula Borough (KPB) was formed and has expressed ongoing dissatisfaction to the Local Boundary Commission with its inclusion in the KPB. NVT's primary concerns are taxation of its tribal members without seeing commensurate benefits. NVT has had ongoing concerns about taxation of tribally-owned property, which NVT feels should not be included on the KPB's tax rolls.

Tyonek's current population is reported to be less than 200³. Tyonek receives services through the Nikiski Fire Department, the Nikiski Senior Services and the North Peninsula Recreation Service Area under agreements and are therefore included in the City of Nikiski boundary. Because the NVT is providing road services to Tyonek, they will be exempt from the Nikiski Road Services and corresponding mil rate of 1.4 – a reduction to their current KPB property taxes. The proposed City of Nikiski will endeavor to create a stronger relationship with the West Side and Tyonek; respect Tyonek's sovereign status as a federally-recognized tribe; uphold its wishes to remain a closed community; and strive to recognize and meet its unique community needs. As such, the proposed City of Nikiski Charter includes the appointment of one Council Member as a liaison

³ Inconsistency between the reported population and the 2014 general election report of 333 registered voters (Section 1 above), is believed to be due to the influx of transient residents with summer fishing homes.

representative to the West Side and Tyonek, bringing their concerns and questions directly to the City of Nikiski Council.

Tyonek retains Nikiski Fire Department owned equipment but aids the NFD with 6-8 Tyonek volunteer citizens.

Beluga – is a site near Tyonek with a few year-round residents, fishing lodges and a predominant presence by Chugach Electric Association that provides electricity to Anchorage. Additionally, energy corporations like ConocoPhillips and Hilcorp are present. Without an organized municipal government, Beluga currently benefits through an agreement with the Nikiski Fire Department (NFD) and is therefore included in the City of Nikiski boundary. Beluga retains Nikiski Fire Department owned equipment and aids the NFD with 6-8 volunteer firefighters. The NFD building was built by a joint effort of volunteers and supplies from the NFD and ARCo/ConocoPhillips, and is located on ConocoPhillips property.

Section 8. Size

The territory proposed for incorporation encompasses a 5,480 square mile area.⁴

Section 9. Population

The number of permanent residents living within the territory proposed for incorporation is estimated to be 5,985⁵.

Section 10. Information Relating to Public Notice and Service of Petition

This section contains information relevant to providing public notice of the incorporation proceedings. This includes information about local media, adjacent municipal governments, places for posting public notices, location where the petition may be reviewed by the public, and persons who, as a courtesy, may warrant notice of the incorporation proceedings because of their interest in this matter. See **Exhibit D**.

⁴ *Nikiski Fire Department F.Y. 2015-2016 Budget Handbook*

⁵ *Nikiski Fire Department F.Y. 2015-2016 Budget Handbook*

Section 11. Tax Data

The Petitioner requests that proposition(s) be placed on the incorporation ballot authorizing the proposed city to levy the types of tax listed on the chart below, in the left hand column, at the rates specified in the middle column.

State law allows petitioners to request that the Local Boundary Commission condition incorporation upon passage of propositions authorizing the city to levy taxes, such as property or sales taxes. The right-hand column expresses the petitioners’ desire concerning whether incorporation should be conditioned upon voter approval of any of the taxes.

The Petitioner emphasizes that the proposed taxes for the incorporation territory are the same taxes currently levied through voter-approved service areas currently administered by the Kenai Peninsula Borough. In addition to the territory taxes proposed for incorporation, the Kenai Peninsula Borough also currently imposes a 4.5mil KPB property tax, a .01mil Central Peninsula General Hospital tax rate and a 3% KPB sales tax upon the territory. See **Exhibit E**.

TAX DATA FOR INCORPORATION			
		REQUEST TO CONDITION INCORPORATION	
TAX TYPE	TAX RATE	YES	NO
Nikiski Fire Service Area⁶	2.9 mil rate	YES	
North Peninsula Recreation	1.0 mil rate	YES	
Nikiski Senior Service Area	.2 mil rate	YES	
Road Service Area	1.4 mil rate	YES	
TOTAL	5.5 mil rate		
City Sales Tax			NO
Flat Tax		YES	
Motor Vehicle Tax		YES	

⁶ A proposal has been made by the Kenai Peninsula Borough to lower the NFD mil rate by 1/10th of 1 point for FY 2016-2017. If approved, the proposed city to levy taxes for this service will also be reduced to 2.8mil.

Subsection 11-A. The assessed or estimated value of taxable property

Depicted below is the assessed taxable value of property within the territory proposed for incorporation, provided by the Kenai Peninsula Borough and adopted by the KPB Assembly:

ASSESSED VALUE OF TAXABLE REAL PROPERTY*	
EXISTING TAX SOURCE	TAXABLE VALUE (000'S)
Nikiski Fire Service Area	\$ 1,599,796
North Peninsula Recreation Area	1,662,078
Nikiski Senior Service Area	1,510,195
Road Service Area**	1,599,796
*As published by KPB - Ref. Exhibit E	
**KPB report number adjusted for Nikiski properties only (value X 1.4mil)	

Subsection 11-B. Projected taxable revenues in territory proposed for incorporation

Illustrated on **Exhibit E-1** are the detailed projected 2016 budget revenues through taxes as published by the Kenai Peninsula Borough for the proposed territory. Below is a summary of those details:

REVENUE*	
Source	Total Revenues
Nikiski Fire Service Area	\$5,055,240
North Peninsula Recreation Area	\$1,937,420
Nikiski Senior Service Area	\$308,175
Road Service Area**	\$2,239,714
TOTAL	\$9,540,549
*As published by KPB - Ref. Exhibit E	
**Adjusted to reflect only Nikiski properties (value X 1.4 mil)	

Subsection 11-C. Additional taxed Fund Balances to be transferred to the territory proposed for incorporation

The Kenai Peninsula Borough has retained Fund Balance accounts for each of the proposed territory’s current service areas as shown below. These Fund

Balances were collected over time directly from the Nikiski territory property taxes and therefore, would be transferred to the proposed territory.

FUND BALANCES*	
Source	Fund Balance
Nikiski Fire Service Area	\$4,728,688
North Peninsula Recreation Area	\$1,813,303
Nikiski Senior Service Area	\$220,325
Road Service Area**	\$1,015,305
TOTAL	\$7,777,621

*As published by KPB - Ref. Exhibit E

**All unincorporated KPB RSA Fund Balance is \$3,293,530. 31% contributed by Nikiski (\$2,239,714)/(\$7,265,367)

Subsection 11-D. The projected sales tax in territory proposed for incorporation

At this time, it is not intended to have a sales tax until such time as the registered city voters decide to levy a designated sales tax.

Section 12. Kenai Peninsula Borough Taxes Currently Levied in territory of Proposed City

KENAI PENINSULA BOROUGH TAXES*	
TYPE	CURRENT MIL RATE
General / Area Wide	4.5
Central Hospital	0.01
Borough Sales Taxes	3%
*As published by KPB - Ref. Exhibit E	

Section 13. Kenai Peninsula Borough services currently provided and to be retained in the territory proposed for incorporation as a city

KPB PROVIDED SERVICES *	
Borough Provided Service	Manner In Which Service Is Provided
School District	KPB General Fund / Area wide
Solid Waste	KPB General Fund / Area wide
E911 Services	Nikiski Fire Department Contract Agreement
*As published by KPB – 2015-2016 Budget	

Section 14. Budget and Revenue Projections

A summary of the 2015-2016 Kenai Peninsula Borough Budget report for the Nikiski Service Areas shown above is reflected in the chart below:

KENAI PENINSULA BOROUGH 2016 BUDGET REPORT SUMMARY
FOR NIKISKI SERVICE AREAS

SERVICE AREA	MIL RATE	KPB 2016 PROJECTED REVENUE*	KPB 2016 PROJECTED EXPENDITURES	DIFFERENCE IN NIKISKI TAXES PAID VS \$ RETURNED	ENDING FUND BALANCES
FIRE DEPT SA	2.9	\$5,055,240	\$4,579,195	\$476,045	\$4,728,688
RECREATION SA	1.0	1,937,420	1,789,224	\$148,196	1,813,303
SENIOR SA	0.2	308,175	332,712	(\$24,537)	220,325
ROAD SA**	1.4	2,239,714	625,000	\$1,614,714	\$1,015,305
		\$9,540,549	\$7,326,131	\$2,214,418	\$7,777,621

*Includes real, personal, oil & gas property taxes; flat taxes; motor vehicle taxes; interest earnings; and other revenue (Ref. Exhibit E).

**Numbers extrapolated to reflect Nikiski only. Revenue = (Nikiski area property value X 1.4mil); Projected expenditures are KPB's budgeted expenditures for 2016; actuals are less – see Attachment A.

In addition to the \$2.2 million plus dollars that was taxed on Nikiski property owners but not spent in the Nikiski community through the service areas, the Kenai Peninsula Borough charges Nikiski property owners additional administrative and legal fees for any projects or capital equipment support. Fees range from 1%-5% and \$95/hour for project management overview. Frequently the service area representative fulfills these necessary functions. These not-so transparent borough administrative fees/costs would also be realized as savings to the area tax payers under the City of Nikiski.

Other Sources of Revenue

The following additional sources of revenue are anticipated to be available to support services offered by the proposed city:

OTHER REVENUE	
Source	Estimated Revenue
New City Funds – first year (AS 29.05.180.a)	\$ 50,000
Second Fiscal Year (AS 29.05.180.d)	\$ 25,000

The City of Nikiski would initially be subsidized with a \$2 million+ plus budget.

Northern Economics

The Petitioner's Representatives have commissioned the services of Northern Economics Inc. to execute a Pro Forma Budget for the proposed City. The updated version of this budget is provided in **Exhibit F**.

In summary, the Pro Forma Budget for FY 2016 demonstrate that after expenses, the new City of Nikiski would retain all current services, provide all expenses necessary for the new city operations and still have a \$1,700,000+ balance that may be used to reduce mil rate taxes or provide increased city services or community investment.

Section 15. Powers and Functions

The Kenai Peninsula Borough is currently the government representation for the non-incorporated area of Nikiski. The borough represents a plethora of communities with a vast array of interests and principles that do not embody the same cultures and needs as Nikiski. Nikiski welcomes industry of all types - from the commercial, set-netting and sport fisheries to energy-based corporations. The current municipal governing body for Nikiski is a borough mayor and a 9-member borough assembly in which Nikiski is represented by only one member. Regardless of who is filling the Nikiski assembly seat at the time, historically they have been out-voted on Nikiski issues. Therefore, it is the desire of the citizens of Nikiski to become autonomous and proactive in their local development by exercising maximum local self-government. Incorporating Nikiski is necessary to provide a responsive and efficient municipal government with a governing body composed of Nikiski residents who can represent our unique community needs.

The projected powers and functions of the proposed City of Nikiski include:

- City Administration
- Fire and Emergency Services
- Parks and Recreation
- Senior Services
- City Road Development and Maintenance
- Law Enforcement Services
- Planning and Zoning (in accordance with AS 29.35.250 and AS29.40)

- Local Economic Development
- Taxation
- Local Community Development
- Capital Improvement Projects
- Disaster Planning and Cooperative Response with the Kenai Peninsula Borough

Recognizing that the Home Rule City of Nikiski would be able to provide the above services upon incorporation if desired or delegated, it is recommended that services currently provided by the existing Fire Department, Recreation, and Senior Service Areas be transferred in their entirety to the City. The road maintenance and development services will be withdrawn from the area-wide governance and transferred to the City. The City will also petition the Borough for delegation of planning, platting, and zoning under AS 29.35.250. The remaining services listed above should be planned and implemented by the new City of Nikiski officials through responsible planning and a balanced budget. The Petitioners desire to enfranchise all residents of the City of Nikiski and encourage the Nikiski citizens' participation on issues affecting their immediate neighborhoods, City development and services.

Rick Koch, the City of Kenai Manager, succinctly stated the primary driver for incorporation as a home rule city: "Why would you not want to make the decisions as close to the people that are served by the government as possible? ... it's about being able to strike your own direction as a community."⁷

Section 16. Governing Body

The creation of a new city government is a significant undertaking. The establishment of parameters on how the city will govern is important for success. After extensive research, the proposed City of Nikiski intends to implement the Public/Private Partnership (PPP) model for local governments.

⁷ May 3, 2016 Soldotna Chamber of Commerce meeting.

The residents of the proposed City of Nikiski desire a local government that is fiscally accountable and whose goal is to provide quality services at a reasonable price. They desire local authority with citizen's ability to express their individual voices; be heard in their own government; and keep local tax dollars at home.

Documented by Oliver W. Porter in the books *Public/Private Partnerships for Local Governments* and *Creating the New City of Sandy Springs*, Mr. Porter describes the town of Sandy Springs, Georgia that has flourished since incorporation within the larger Fulton County in the Atlanta area. The Public/Private Partnership (PPP) requires no long-term liability commitments from current government decisions upon the backs of future citizens. The model provides for managing administrative functions as city employees, but all other services are provided through subcontractors that specialize in their respective areas. The premise is that companies are better at managing those functions than governments.

Success through the PPP model results in no increase in property taxes, building of a sustainable reserve, and increase in capital programs. Because the services are outsourced, there are no snow-balling pension problems, no long term liabilities, operations run more efficiently and the City can make capital investments, like parks and road construction/paving/maintenance that the KPB has failed to provide.

Eva Galambos, a former economist and Mayor of Sandy Springs, Georgia states "It is possible if you're efficient, with that same millage rate, to get something done and I think that's the best proof that this [PPP] model works."⁸

When competition is injected into the government, Tim Cavanaugh Sr. Editor of *Reason Magazine* says "you can get a better level of service than you used to get for a lot less money... [it] make[s] sense because you have private companies who are in the business of providing these kind of services and knowing how to do it in a competitive market...all of that can be done better with a private servicer – people who do this for a

⁸ <https://www.youtube.com/watch?v=f8qFvo2qJOU>

living...you're also sparing yourself the tainting and the distorting of the political process by government employees.”⁹

In the same interview with Tim Cavanaugh, Judge Andrew Napolitano of *Freedom Watch* on FOX News states “you don’t have long term tenure, people you can’t fire, you don’t have those heavy pension benefits, and you don’t have a political bureaucracy that is always there no matter who the elected officials are...you have public servants that are truly public servants.”

Accordingly, the composition of the proposed Home Rule City of Nikiski is as follows:

A. Elected Officials

- 1) Nominations for initial city officials are made by petition (AS 29.05.120). The petition must include the name and address of the nominee and a statement of the nominee that the nominee is qualified under the provisions of this title for the office that is sought. A person may not serve simultaneously as city mayor and as a member of the city council.
 - a) All elected positions are voted for at-large by qualified registered voters of the City of Nikiski, are un-paid volunteers and residents of the City of Nikiski for 3 years prior to the election. All elected positions are elected to a term of 3 years and have a consecutive 2-term limit (maximum 6 years).
 - i. Mayor – The elected mayor is a voting member of the City Council and first among equals. Mayoral responsibilities include: 1) appointment commission, boards and task force members, 2) preside over council meetings, 3) authorizes ordinances by signature, and 4) first signature on money transfers, i.e. checks. A termed-out mayor must wait 1 year before eligibility to file again for mayor or a council position.
 - ii. City Council – The city council is composed of eight members. A council member must wait 1-year before eligibility to file for another council or mayor position. Council responsibilities include: 1) review and approve all City contracts, 2) approve annual City budget, 3) never

⁹ <https://www.youtube.com/watch?v=v4sCgRLFzml>

indebt the City beyond what the City has in reserves, and 4) hires City Manager / City Clerk.

- 2) The initial elected officials take office on the first Monday following certification of their election.
- 3) The initial elected members of the governing body shall determine by lot the length of their terms of office so that a proportionate number of terms expire each year, resulting in staggered terms of office for members subsequently elected.

B. Initial City Employee Positions

1) City Manager

- a) Responsible for the oversight and management of the day-to-day city operations.
- b) Reports directly to the Mayor and City Council.
- c) Submits annual budget to City Council for review and approval.
- d) Second signature on money transfers, i.e. checks

2) City Clerk

- a) The official record keeper for the City, including recording and maintaining the Council's official actions in minutes, coordinating and distributing the agenda, maintaining contracts, ordinances, resolutions and agreements and coordinating the records management and retention program for the City.
- b) The director of elections; supervising the election in the general manner prescribed by AS 15 (Election Code) and Title 29. The State of Alaska shall pay all election costs related to the new city's incorporation.¹⁰
- c) Reports directly to the City Council.

Hiring preference for all City employee positions will be given to local residents when possible. Dismissal of the City Manager or the City Clerk requires a super majority vote by the City Council; or 6 out of 9 votes.

C. Initial City Contractor Positions

- 1) Attorney – represents and advises the City in all legal matters

D. Initial City Service Boards

¹⁰ AS 29.05.110(e)

All Service Boards are advisory in nature and report to the Mayor and City Council. All board positions were elected at-large and are un-paid volunteers. Existing KPB Service Area Boards will continue in their same capacity upon incorporation with the exception of reporting to the City of Nikiski rather than the Kenai Peninsula Borough. These boards are:

- a) Nikiski Fire Service Area
- b) North Peninsula Recreation Service Area
- c) Nikiski Seniors Service Area

The above Service Area Boards will be transitioned out of commission within the first year of incorporation and transition into departments within the City. These departmental service functions will report directly to the City Manager.

E. Service Area Employees

- 1) Current Kenai Peninsula Borough employees working for one of the city service areas will transition from borough employees to City of Nikiski employees.
- 2) Except for Nikiski Fire Department employees, any new-hire service employees will be hired through contract agreements and not as City employees. Transitioned service area employees will remain grand-fathered as City employees.

Section 17. Transition Plan

In accordance with AS 29.05.130-140, 3 AAC 110.420(b)(16) and 3AAC 110.900, all powers and duties exercised by the Kenai Peninsula Borough and service areas on behalf of the territory of Nikiski will continue to be in effect until assumed by the actions of the new Home Rule City of Nikiski.

Before the assumption, the City of Nikiski will give written notice of its assumption of rights, powers, duties, assets and liabilities to the Kenai Peninsula Borough and all service areas affected. City officials shall consult with the officials of the borough and service areas and arrange an orderly transfer.

After the successful election of incorporation, the Kenai Peninsula Borough or an affected service area, may not assume new bonded indebtedness, make a contract or transfer an asset without the consent of the governing City of Nikiski.

The newly incorporated City of Nikiski may not levy property taxes before January 1 of the year immediately following the year in which the incorporation takes effect. The City Manager of Nikiski will be responsible for the City tax collection and will coordinate with the Kenai Peninsula Borough to insure that tax collections do not overlap.

Nikiski Fire Department Service Area

The Nikiski Fire Department Service Area provides fire protection, emergency medical services, and search, dive and rescue capabilities for the Nikiski, Tyonek and Beluga area industrial complexes and residents. The service area is primarily funded through taxes levied upon property owners (2.9 mils in FY 2016) within the proposed Home Rule City boundaries. These taxes are currently collected and controlled by the Kenai Peninsula Borough. The total incidents reported in 2015 were 960 and with the increase in industrial and residential activity, the annual alarm/incident activity has increased by 18% in the first four months of 2016 compared to the first four months of 2015.

The existing 7 elected Nikiski Fire Department service area board of directors will continue in their capacity through and after transition in the same course of action as established prior to incorporation for



a maximum one year period. Within one year from the time of incorporation, the board of director's duties and responsibilities will transfer to the City Manager. However, at any time, the City Council may create a Fire Department Advisory Board, appointed by

the Mayor and confirmed by a majority vote of the City Council. Members of the Fire Advisory Board must be un-paid volunteers and residents of the City of Nikiski for 3 years prior to appointment. All advisory positions are appointed to a term of 3 years.

All assets that are currently owned and operated by the Nikiski Fire Department, including two fire stations, will be transferred upon incorporation to the City of Nikiski. The property and engineering studies acquired by Nikiski Fire Department Service Area for Fire Station 3, located at the corner of Holt Lamplight Road and the Emergency Escape Route, will also be transferred upon incorporation.

The fire station building in Tyonek is owned by the Native Village of Tyonek (NVT). The fire station building in Beluga was built in a joint effort of volunteers and supplies from the NFD and ARCo / ConocoPhillips and located on ConocoPhillips property. Equipment in Tyonek owned by NFD includes a fire engine, a tanker and an ambulance. Beluga also retains NFD owned equipment including a fire engine, a tanker, an ambulance and a pickup truck. Both Tyonek and Beluga utilize 6 to 8 volunteer fire fighters each. Currently, one NFD fireman visits Tyonek once a week to provide fire fighting training.

Upon incorporation, all NFDSA assets will be transferred to the City of Nikiski. The current list of assets is itemized in **Exhibit I-1**. Additionally, all employees of the NFDSA will become City of Nikiski employees. All salaries and benefits will remain the same or improved upon and union representation/contracts will need to be addressed through legal counsels. It is the intent of the Petitioner to create a positive and at the very minimum, an equal compensation package as their current employer provides.

North Peninsula Recreation Service Area

In the past, Nikiski residents took swimming lessons in the icy cold waters of area lakes and families worked and played on beach sites with their youth frequently participating in fishing operations. Prior to 1974, the Kenai Peninsula Borough approved and funded two new swimming pools attached to schools. Both pools were located in the southern region of the KPB; one in Seldovia and the second in Homer. Both were built from tax

payer funds from the entire peninsula. Nikiski residents recall making numerous requests to the Kenai Peninsula Borough to construct a swimming pool in the northern KPB region for the safety, welfare and recreation of northern residents. The Kenai Peninsula Borough disregarded all requests. Disenchanted by the KPB Assembly's failure to provide for Nikiski, the KPB Assembly representative at that time for Nikiski, James Arness, Sr., introduced Ordinance 74-16 establishing the North Peninsula Recreation Service Area for the specific purpose of the construction and maintenance of a swimming pool. Voters approved the self-imposed tax liability for the NPRSA 135 to 9 on July 30, 1974.¹¹

Today, the North Peninsula Recreation Service Area (NPRSA) is primarily funded through taxes levied upon property owners (1.0 mils in FY 2016) who reside within the proposed Home Rule city boundaries. These taxes are currently collected and controlled by the Kenai Peninsula Borough.



The existing five (5) elected service area board of directors will continue in their capacity through and after transition in the same course of action as established prior to incorporation for a maximum one year period. Within one year from the time of incorporation, the board of director's duties and responsibilities will transfer to the City Manager. However, at any time, the City Council may create a Parks and Recreation Advisory Board, appointed by the City of Nikiski Mayor and confirmed by a majority vote of the City Council. Members of the Parks and Recreation Advisory Board will be unpaid, volunteers and residents of the City of Nikiski for 3 years prior to appointment. All advisory positions are appointed to a term of 3 years.

¹¹ KPB Ordinance 74-16

At incorporation, all assets that are currently operated and owned by the North Peninsula Recreation Service Area including an indoor swimming pool with waterslide, multipurpose fields, community playgrounds, covered natural ice rink, two separate trail systems, skateboard park, racquetball courts with exercise area, and disc golf course, will be transferred to the City of Nikiski. The current list of assets is itemized in **Exhibit I-2**. Additionally, The Boys & Girls Club of South Central Alaska will continue to provide the recreation services for the Village of Tyonek through the assets of the NPRSA.

The NPRSA also operates the Nikiski Community Recreation Center (NCRC) that houses a teen center, full swing golf simulator, gymnasium used for sporting activities and league use, a banquet room and classroom spaces used for rentals for group gatherings. The NCRC is an asset of the North Peninsula Recreation Service Area and will be transferred to the City of Nikiski upon incorporation.

Upon incorporation, all employees of the NPRSA will become City of Nikiski employees. All salaries and benefits will remain the same, and union representation/contracts will need to be addressed through legal counsels. It is the intent of the Petitioner to create positive and equivalent compensation packages as their current employer. After incorporation, all new-hire NPRSA employees will be hired through contract agreements and not as City employees. Transitioned service area employees will remain grandfathered as City employees.

The current NPRSA boundaries include 50 square miles more than the current Nikiski Fire Department Service Area boundaries that are the proposed boundaries for the Home Rule City of Nikiski. It is the understanding by the Petitioners that the historical reasoning for these circumstances stemmed from an oil and gas facility in the south east corner of the NPRSA boundary that is not directly accessible by Nikiski roads. That facility is accessed through roads within the Central Emergency Services area located in Soldotna, AK. Since there are no residences within that 50 square miles boundary inconsistency, the Petitioners do not foresee an issue by conforming the NPRSA boundary to the same as the NFD and City of Nikiski boundaries. The 50

square mile oil and gas field area will continue to be serviced and taxed within the non-incorporated Kenai Peninsula Borough area.

Nikiski Senior Service Area

The Nikiski Senior Service Area (NSSA) is funded through taxes levied upon property owners (.2 mils in FY 2016) and by a portion of grant funds provided through the Kenai Peninsula Borough to all senior citizens groups within the Borough. A five (5) member elected NSSA Board oversees only those funds and will continue in their capacity through and after transition in the same course of action as established prior to



incorporation for a maximum one year period. Within one year from the time of incorporation, the NSSA board of director's duties and responsibilities will transfer to the City Manager.

The Nikiski Senior Citizens Inc, is a community owned non-profit organization that provides services and programs for senior citizens

within the area. The NSCI Board of Directors is responsible for the organization and the Director reports directly to that Board. All assets are owned and operated by the NSCI including two community centers and eight senior citizen housing units. Employees of NSCI are hired on an individual contract basis. The NSCI Board of Directors will report directly to the City Manager for City funding purposes.

The current Nikiski Senior Service Area boundaries are 64 square miles less than the current Nikiski Fire Department Service Area boundaries that are the proposed boundaries for the Home Rule City of Nikiski. The 64 square miles encompass the unincorporated area known as Salamatof. In October, 1993 the voters of Salamatof elected to not be included in the Senior Service Area. Salamatof is represented by District 29, Precinct 160 and will be a major contributor in the decision to incorporate

Nikiski (ref. **Exhibit A**). Throughout the petition process meetings, there have been no concerns vetted by residents from this area regarding the boundary variances by inclusion of the Senior Service Area.

Roads Service Area

In 1981, the Nikiski Road Service Area was the first road service area formed within the Kenai Peninsula Borough. Shortly thereafter, three other non-incorporated areas formed road service areas and the Kenai Peninsula Borough enacted Ordinance 81-63 in which all four service areas were approved by voters in their areas. In 1985 a proposition was approved by the voters to levy up to one-half mil to pay for road improvements. On August 6, 1991, the Borough Assembly repealed the prior ordinances by enacting Ordinance 91-18 allowing the borough mayor to appoint one new area-wide service area board thereby abolishing each of the original four individual area's elected board representatives and establishing inclusion of all non-incorporated areas with the Borough (see **Attachment C**). Ordinance 91-18 justification's included:

- Three of [the] boards expressed the desire for consolidation of all four service areas into one service area [*Nikiski did not*]
- A single road service area would utilize financial resources more efficiently

The assembly members from Nikiski were out-voted on the ordinance. Nikiski voters did not vote for, or want, the area-wide Road Service Board. In the Supreme Court Case *North Kenai Peninsula Road Maintenance Service Area and Bill McGahan v. Kenai Peninsula Borough*, (**Attachment B**), Nikiski resident Bill McGahan sued on behalf of Nikiski to stop the Borough's attempt to gain control of the road service areas and take Nikiski tax payer's money to fund the rest of the Borough's road services. The law-suit was rejected because the "North Service Area is not an independent political entity capable of suing or being sued." The City of Nikiski, a Home Rule city, would gain standing as a "political entity" to represent the interests of Nikiski in all circumstances.

Over time the road service area has increased the tax levy upon property owners to the current 1.4 mil.

The City Manager will manage all roads and associated contracts within the territory that are not state maintained. The City Manager will recommend contract awards to the Mayor and City Council who will approve contract expenditures.

Law Enforcement

In 2015, a group of Nikiski citizens organized a Nikiski Community Action Group (NCAG) and were successful in rallying the Kenai Peninsula Borough Assembly to place on the ballot Ordinance 2015-11; known as LESA (Law Enforcement Service Area). If approved by voters, the ordinance would have established a new Kenai Peninsula Borough service area specifically for Nikiski and paid for by the property owners of Nikiski. During the introduction of the Ordinance at the KPB Assembly meeting on June 16, 2015, one of the members of NCAG, Ann Krogseng, was addressed by KPB Mayor Mike Navarre who stated “when you look at the tax base to be generated...would you support an expansion to the Nikiski Law Enforcement Service Area to other areas around the borough...?¹²” Nikiski residents recognized the intentions of the Borough to extend the Nikiski LESA throughout the Borough in the same way that the Road Service Area was extended - resulting in Nikiski tax payers being over-taxed to support the borough’s unincorporated areas for law enforcement. The Ordinance was voted down by Nikiski residents on October 6, 2015 by a 61% majority.

The proposed territory for the City of Nikiski is currently protected through the law enforcement services of the Alaska State Troopers and it is the intention of the Petitioners to continue those services upon incorporation. However, the Petitioners recognize that with Nikiski’s future growth potential, increased law enforcement may be necessary. The newly-elected City officials will be responsible for addressing the law enforcement needs for the City; however, the Petitioners would support any options to be given to the voters to decide.

¹² KPB Assembly Meeting 6/16/15 - http://kpb.granicus.com/MediaPlayer.php?view_id=1&clip_id=104

Community Revenue Sharing

The **Nikiski Community Council** (NCC) is self-described as “a silent voice representing the community’s unique lifestyles and quality of life.”¹³ The Community Council is a non-profit organization that garners “grant funding to improve the quality of life in our community.” The NCC annually receives the non-incorporated Community Revenue Sharing grant from the State of Alaska, as managed through the Kenai Peninsula Borough, which disperses those funds to non-profit community organizations. After a 2% administration fee retained by the borough, NCC received \$19,804 of Community Revenue Sharing funding for FY 2014-2015 and \$18,922 for FY 2015-2016.

In addition to the Community Revenue Sharing grant, NCC has received four (4) grants from the State of Alaska in 2014-2015 for the purposes of purchasing and developing a Cook Inlet Viewing and Beach Access Park. These grants are retained by NCC as follows:

**NIKISKI COMMUNITY COUNCIL
COOK INLET VIEWING PARK GRANTS**

YEAR	GRANT #	AMOUNT
2014	14-RR-047	\$ 100,000
2015	15-CD-448	\$ 150,000
2015	15-DC-449	\$ 150,000
2015	15-RR-034	\$ 99,519
	TOTAL	\$ 499,519

The **Triumvirate Theater** is located within the area commonly known as Salamatof. This group receives the Community Revenue Sharing for the Salamatof area each year. Like the NCC, Triumvirate Theater has also received the same funding amounts through the Revenue Sharing grant over the past two years.

With State funding diminishing, Revenue Sharing recipients have been notified that the Revenue Sharing grants will also be reducing and most likely be withdrawn entirely.

¹³ Nikiski Community Council website: <http://www.nikiskicc.com/>

However, both the Nikiski Community Council and the Triumvirate Theater have been valuable resources within the community and it is intended that these groups may be supported by the City of Nikiski in an agreed upon capacity.

Property Tax

The Kenai Peninsula Borough levies a 4.5 mil property tax plus a .01mil hospital tax on property owners throughout the Borough. These Borough taxes will continue to be levied after the creation of the City of Nikiski.

The service area taxes of 5.5 mil currently levied by the KPB on Nikiski property residents will cease and become the City of Nikiski tax mil levy. The Petitioner recognizes that future city councils will make governing decisions on taxes and services provided, however, the Petitioner has presented the Petition in a manner where all current services provided by existing property taxes plus the proposed cost of the City's initial infrastructure can generously be supported by the existing 5.5 mil rate plus fund balances accompanying the existing service areas.

The Petitioner realizes that the future looks promising for the City of Nikiski and may bring more needs and services to the area. To accommodate future growth within the local control of budgets and taxes, the City of Nikiski Charter specifies that any increase to property taxes must be in accordance with a majority vote of the residents of Nikiski.

City Manager

The City Manager will be hired by the Nikiski City Council within one month of the election to incorporate. The City Manager will work at the direction of the City Council and in synchronization with the City Mayor. The City Manager will be responsible for providing oversight and development of all areas of city government, including contracts and RFP's. A constructive benefit in creating local governments with the power of oversight allows cost savings realization and community improvements without increased taxes. The City Manager will advise the Council on the hiring of the City Clerk and retention of legal counsel within the first month.

Transition Meetings

Within the first six months after the date of incorporation, the City Manager will meet with Kenai Peninsula Borough officials to ascertain, review and obtain all relevant and necessary documentation and data files for the City of Nikiski.

The Nikiski City Manager will meet with the Kenai Peninsula Borough Mayor on a regular basis within the first six months after incorporation to establish open communication and a symbiotic relationship between the two governing bodies. The Nikiski City Council will invite the Kenai Peninsula Borough Attorney and Assembly members to a City of Nikiski public town hall progress meeting within the first six months of incorporation to encourage this cooperative relationship.

The Nikiski City Manager and the newly hired City Clerk will meet as frequently as necessary with KPB officials to establish procedures and examine and copy tax records and other pertinent documents required for the city to operate.

The City Manager will meet with state officials within the first two months after incorporation to establish working relationships with those state entities and to become informed on revenue sharing and other state assistance available to the City.

The Mayor and City Manager will meet with each of the service area boards within the first two months after incorporation to establish good working relationships and ensure a smooth transition of management.

The City Manager will meet with any other known community groups within the first six months to establish communication and cooperation, and continue to be accessible to community groups by attending their public meetings at least twice a year.

City Office

The City Manager and Clerk will obtain and secure, with the consent of the City Council, a place of business for the City to operate from and will purchase all necessary items required to operate a functional office. The city hall will be secured with startup funds provided by the state grant for new cities (AS 29.05.180.a).

Revenue Collection

The City Manager will complete all necessary paperwork to secure the transfer of the startup grant from the state within the first month following incorporation. The City Manager, in collaboration with the City Council, will establish necessary procedures and set up accounts for the necessary funds.

City Charter

Within the first two months after incorporation, the City Council will meet as frequently as necessary to establish and adopt the City Charter as well as formulate initial ordinances with the assistance of the retained attorney, to successfully implement city services.

Transition Timeline

All powers and assumptions of the City of Nikiski will be fully executed within the timeline shown below:

**City of Nikiski Proposed Timetable
For Full Transfer of Government Powers**

Function	Completion Time
Election of Mayor and City Council members	Same election as City incorporation
Hiring of City Manager and Clerk	Within one month of election
Retain legal counsel	Within first month
Leasing of office space	Within second month
Application for initial state funds	Within first month
Accounting procedures established	Within first month
Appointments & Confirmations to Road Service Board	Within first month
Adoption of City Charter	End of second month
City Office in full operation	End of third month
Completion of transition meetings	End of sixth month
Disbanding of Service Area Boards / Members	Within one year after incorporation
Full transfer of all City Services and Functions	January 1st following incorporation election

Section 18. Officials Consulted For the Transition Plan

In developing a transition plan, the proposed city consulted the following officials in the existing state, borough, city and organized borough services areas:

OFFICIALS CONSULTED			
NAME	TITLE & ORGANIZATION	DATE CONSULTED	SUBJECT DISCUSSED
Wayne Ogle	Assemblyman, Kenai Borough	Continuous	All Aspects of Incorporation
Craig Chapman	Finance Director; Kenai Borough	10/12/2015	Planning
Peter Micciche, Chuck Kopp	Alaska State Senator; Senator’s Aide	10/12/2015 3/24/2016	Planning
Mike Chenault	Alaska Speaker of the House of Representatives	10/12/2015	Planning
Cal Kerr, Dave Weiss, Jonathan King	Consultants; Northern Economics	1/27 – 4/15/2016	Planning & Financial Aspects of Incorporation
Matt Mead	Attorney; Landye, Bennett, Blumstein Law Offices	3/10/16 – Present	All Aspects of Incorporation
Sharon Kraun	Communications Director; City of Sandy Springs, GA	3/14/2016	City Planning
Col. James Cockrill	Division Head; Alaska State Troopers	3/30/2016	Transition
Josselyn O’Connor	AKLNG Community Advisor	3/26/2016	Planning/Transition
Mike Navarre	Kenai Peninsula Borough Mayor	5/31/2016	Transition
James Baisden	Chief, Nikiski Fire Department	3/29/2016	Planning/Transition
Service Area Board	Nikiski Fire Department	5/11/2016	Planning/ Transition/ Petition
Rachel Parra	North Peninsula Recreation	3/29/2016	Planning/Transition
Service Area Board	North Peninsula Recreation	5/23/2016	Planning/ Transition/ Petition
Sue Tauriainen	Nikiski Seniors	3/31/2016	Planning/Transition
Service Area Board/ Senior Inc Board	Nikiski Seniors	5/11/2016	Planning/ Transition/ Petition
Nikiski Comm. Council	Nikiski Community Council	No summer meetings	Petition
Art Standifer/ Jim Hoffman	Native Village Tyonek President/ Tyonek Native Corp CEO	5/31/2016	Planning/ Transition/ Petition
Territory Residents	Nikiski Community Town-Hall	5/31/2016/ 7/8/2016	Petition
Territory Residents	Tyonek Community Town-Hall	5/31/2016	Petition
Business Leaders	North Peninsula Recreation	7/8/2016	Petition

(Under 3 AAC 110.900(f), the Petitioner may request a waiver to the requirements of (5) above, if the Petitioner provides documentation of all attempts made by the Petitioner to consult with officials in existing borough, city and organized borough service areas.)

A brief synopsis of relatable meetings is presented in **Attachment H**.

Section 19. Supporting Brief

A supporting brief that provides a detailed explanation of how the proposal serves the best interests of the state and satisfies each constitutional, statutory, and regulatory standard that is relevant to the proposed commission action is presented in **Exhibit G**.

Section 20. Documentation Demonstrating That the Petitioner is Authorized to file the Petition

Under Alaska State Statute Article 2, Section 29.05.060 and Alaska Administrative Codes 3 AAC 110.410 and 3 AAC 110.420(b)(20), the territory for incorporation authorizes the petitioner to file the petition as follows:

The three voting districts within the proposed territory had 4,220 registered voters at the time of the last general election. The number of votes cast from these three districts during that election was 1,785 (see **Section 1** and **Exhibit A**). AS 29.05.060 requires 15% of the number of voters from the last general election to file as petitioners for incorporation status as a Home Rule city. Provided in **Exhibit B** are signatures of over the required 15% ($1,785 \times .15 = 268$) registered voters residing within the proposed Home Rule city of this petition.

Section 21. Proposed Home Rule Charter

The proposed City of Nikiski Home Rule Charter is provided in **Exhibit H**. The Charter is a blending of resources initiated with the Sandy Springs, GA template for creation of a new city based on the Public/Private Partnership (PPP) model. Petitioners also consulted the local residents of the proposed City of Nikiski through Town Hall meetings as well as individual discussions on what aspects of city government they would like the new City of Nikiski to embody. The petitioners recognize that the attached charter (**Exhibit H**) is a proposal only and the new City Council will adopt the finalized version.

Section 22. Affidavit of Accuracy

Exhibit K provides an affidavit from the petitioner’s representatives affirming that the information in the petition is true and accurate.

Section 23. Other Information

➤ **Alaska LNG Project – “AKLNG”**

The Alaska LNG Project is a proposed integrated liquefied natural gas export project providing access to gas for Alaskans. The project aspires to deliver natural gas from the North Slope fields of Point Thomson and Prudhoe Bay through a gas treatment plant then transported through a gas pipeline to the Liquefaction Facility planned for construction in our community of Nikiski. The January 25, 2016 Project Update PowerPoint presentation given to the community of Nikiski is provided to the LBC in **Attachment D**.

On March 26, 2016, members of the Nikiski Citizens Incorporation Study (NCIS) group met with the AKLNG’s Community Advisor, Josselyn O’Connor, to discuss progress, transition and potential impacts that the new City of Nikiski may have on the project and impacts the project may have on Nikiski. Mrs. O’Connor emphasized the following facts:

- 1) The project is not guaranteed.
 - a. It is not sanctioned by the owners at this time
 - b. It is currently at the end of the “Pre-Feed Phase” of the project or front-end engineering and design phase
 - c. Estimate wrap-up of this phase is October 2016 when all data will be put together in a resource report
- 2) In the first or second quarter of 2017, the owners will evaluate the information gained and make a determination if they want to go forward at this time with the project taking into consideration current market pricing, etc., if yes,
- 3) The “Feed Phase” or “Engineering Phase” will begin. This phase is expected to take 2-3 years and cost estimates at \$2-\$3 billion.
 - a. Project is still not a guarantee after this phase.

- 4) The owners are committed to filing the FERC (Federal Energy Resource Commission) application
 - a. FERC will initiate the EIS (Environmental Impact Statement) which is an 18 month timeline
- 5) In 2016, the project is focused on optimization of reducing costs including aspects of dock options and road standards
- 6) The AKLNG project is estimated to cost between \$40 - \$60 billion
- 7) If the project is sanctioned by the owners, the best scenario for “First Gas” is 2024.

Additionally, the following update was posted on the Facebook social media page ***Nikiski Community Banter***, June 10, 2016, 12:10pm, by Ben Heaverley:

Hey folks, I got an email update from Josselyn O'Connor, the Community Stakeholder Advisor for AK LNG on the latest project updates. Just wanted to share with everyone...

"The 2016 field season is off to a great start and I'd like to take this opportunity to update you on progress in the Nikiski/Kenai area.

Geotechnical & Geophysical Field Program – As you may have seen, field crews have been working onshore in the Nikiski area and offshore in the Cook Inlet for several weeks. The purpose is to collect data for design and equipment placement of the proposed LNG and marine facilities and design and route selection of the proposed subsea natural gas pipeline across Cook Inlet. We are happy to report progress continues on schedule and all activities have been conducted in a safe manner.

Cook Inlet activities – The survey objectives are to characterize the bottom surface and subsurface of Cook Inlet, evaluate seabed features, and identify soil conditions within the Cook Inlet survey area. Seabed sampling activities were completed from the vessel Silver Arrow on May 1st. The remaining activities may occur for up to 6 weeks using equipment from the vessel Westerly.

On-shore activities – The program objectives are to identify and characterize the subsurface material (soil) and to evaluate groundwater conditions. Program methods/equipment include: geotechnical soil borings, groundwater sampling and testing, groundwater well installation and pumping tests, and electrical resistivity measurements. To date, 12 of approximately 50 proposed geotechnical boreholes have been completed. The electrical resistivity measurements have been completed.

Alaska LNG Monitor – Please take a look at our latest newsletter! This issue includes a message from our senior project manager Steve Butt, overview of the resource reports, and much more! <http://ak-lng.com/archives/>

Kenai Spur Highway Relocation – Should construction of the Alaska LNG facility move forward, changes to the Kenai Spur Highway in the Nikiski area will likely be necessary. 2016 work on the KSH relocation includes defining the regulatory path required should a relocation effort move forward and additional desktop studies to analyze potential environmental and socioeconomic effects. Field work you see in the area this spring and summer is focused on the proposed LNG facility, marine terminal, and pipeline route - not the Kenai Spur Highway relocation. A preferred route has not been selected, and land acquisition for a relocated KSH is not planned for 2016. We continue to engage with the Alaska Department of Transportation and Public Facilities (ADOTPF) and local government. Should new developments related to this effort arise this year, we will be sure to share them with you.

Property Clean-up Efforts – Alaska LNG LLC continues to make progress on the demolition of structures/property clean-up on 20 properties in the Nikiski area.

The Alaska LNG team will have a booth at the Family Fun in the Midnight Sun event in Nikiski on June 18th. Please stop by and visit with the team!

Again, thank you for your interest. Please do not hesitate to call or email if you have any questions or concerns."

Many thanks,
Josselyn O'Connor
Community Stakeholder Advisor
Contractor to ExxonMobil Development Company
For Alaska LNG Matters:
130 Trading Bay Road, Suite 320
Kenai, AK 99611
907.360.6735 (cell)
855.550.5445 (toll-free)

What does this mean for Nikiski?

Approximately 600 acres of property has been purchased in Nikiski for the project. AKLNG's target for the project is to purchase 800-1,000 acres in Nikiski. See **Attachment E**.

The Nikiski Community Incorporation Study group is optimistic and excited about what prospects the AKLNG will bring to our community. However, because the project's success is tentative, NCIS has researched the viability of the new City of Nikiski's success without the impact component of AKLNG in our community. This petition is presented to the LBC with that fundamental concept in place. Accordingly, our research has proven conclusive that the City of Nikiski, as

proposed in this petition, will in fact thrive with or without the impact of the AKLNG.

➤ **WE ARE NIKISKI!**

Our pride in our community shines in pictures proudly presented by the Petitioner to the Local Boundary Commission for your perusal in **Exhibit L**. Enjoy!

➤ **Letters & Emails**

Letters from interested parties on Nikiski's Incorporation are provided in **Exhibit J**.

- 1) AKLNG – Josselyn O'Connor; March 30, 2016 email
- 2) Nikiski Senior Service Area Board – Mary M. Olson; May, 19, 2016
- 3) House Speaker Mike Chenault – June 30, 2016 letter of support
- 4) Senator Peter Micciche – July 8, 2016 letter of support

➤ **Frequently Asked Questions**

Attachment I presents a list of Frequently Asked Questions.

➤ **Press Releases**

Attachment J depicts the press releases made after the initial public presentations.

- J-1: KSRM Radio – April 6, 2016
- J-2: Peninsula Clarion – June 2, 2016
- J-3: Associated Press – June 2, 2016
- J-4: Peninsula Clarion (editorial) – June 4, 2016

➤ **Acknowledgments**

In the spring of 2014, a group of Nikiski friends and neighbors were discussing the past, present and future of our community's lifestyle conditions. The discussion evolved to the prior attempts made to organize the community where Nikiski residents would be able to have more involvement on how their community would look. Some of the neighbors suggested that they were in favor

of incorporating Nikiski into a city; others expressed strong opposition to the creation of another level of government imposing more rules and regulations in their community where they believed Nikiski represented the idiom that “less government is best government”. After a lively discussion, the neighbors agreed to just study the *facts* of the current government authority’s influence in our lives and what an alternative option might look like.

What appeared at first to be a simple and quick task, resulted with each question asked creating many new questions to be answered. Along the way, walls were encountered and identified that if questions were answered in one specific manner, the entire study would end.

Two years later, the study group, self-named Nikiski Citizen’s Incorporation Study (NCIS) group, has grown in numbers and summarily spent hundreds of hours in meetings and fact finding. The group ranging from older homesteading family members to the younger generation of working parents; from retirees to business owners and housewives; apolitical men and women who love Nikiski and live here because they prefer a more unfettered lifestyle.

Ultimately, all of the NCIS members now agree that incorporating Nikiski as a Home Rule City under the Public/Private Partnership (PPP) model structure is viable and preferred, and the community should be given the opportunity to vote.

The Nikiski Citizen’s Incorporation Study group members advocate transparency and therefore, have all agreed to be listed for public information.

**NIKISKI CITIZEN'S INCORPORATION STUDY GROUP MEMBERS
& NIKISKI RESIDENT/PROPERTY OWNER SINCE:**

Jack Porter - 1955
Richard McGahan - 1955
Karen McGahan - 1964
Stacy Oliva - 1968
Lou Oliva - 1973
Dan Gregory - 1974
Jason Ross - 1982
Jasper Covey - 1984
Heidi Covey - 1985
Mike Peek - 1987
Scott Hamann - 1990
Tony Jackson - 1993
Bill Hartline - 1998
Michele Hartline - 1998
Ray Peterkin - 2001
Norm Olson - 2005
Bill Stevens - 2005

Advisory: Wayne Ogle