

Comments to the Local Boundary Commission. LBC staff and Commissioners:

This is to request that the Local Boundary Commission reject Xunaa's Borough Petition.

For perspective - I offer these comments as a Gustavus resident. Having moved from Juneau to Gustavus in 1988, among other jobs, I worked for many lodges and overnight charter businesses, part time at the local library for 16 years, and also as a seasonal maintenance worker at the Glacier Bay National Park and for a local freight and trucking company. I was a 9-year Chatham School District RSB board member so was aware of school budgeting processes and have been involved in many facets of community groups including working on grants and other funding and budgeting issues. I did a 10-year stint at the tribal college in Barrow for the Workforce Development Department before retiring and returning to Gustavus. During that time, I still maintained close ties with Gustavus and maintained a house here.

One of the many red flags of this petition is that there seems to be items that are unaccounted for. Lack of or omitted information in the petitioner's projected borough budget coupled with no information available to the City of Gustavus regarding impacts and projected amounts of potentially reduced PILT and National Forest Receipts is a big concern.

Gustavus residents, council members and city employees have contacted federal and state agencies requesting information to determine the impacts that the proposed borough boundaries would have on Gustavus's PILT and National Forest Receipts. Some of us have been attempting to obtain GIS information to no avail. We wanted to overlay the current acreage area upon which the formula for funding is based onto the proposed boundaries, to see if a calculation could be made on potential impacts to our revenue. Whether or not those acreages are simply allocated based on an overall formula and not mapped is unknown. No agency that any of us have contacted - whether at the Federal (BLM, DOI) or State level (DCCED) - is able to provide us with that information. The fact that this information is completely unavailable so a determination can be made on the adverse financial impacts to Gustavus, Pelican or Tenakee Springs should be an important consideration when reviewing the petition. Incomplete information of this scale does not provide a basis on which to evaluate financial implications and is therefore not in the best interest of the state nor the affected communities.

For example:

- Xunaa's borough budget exhibit D, shows FY23 PILT receipts as \$170,000. (DCED grants website indicates City of Hoonah was paid \$178,908 for FY23).
- The borough budget exhibit projected PILT under Year 1 column is \$175,270 (DCED grants website indicates City of Hoonah was paid \$213,427 for FY 24).
- Does the difference projected for PILT in the proposed borough budget exhibit mean that is the amount the other communities will lose? How has this been calculated if no information is available from the sources who allocate the funds?
- It appears that the petitioners *did not include* National Forest Receipt revenue in their proposed borough budget. According to DCED's Grants Report Page, Hoonah received \$265,792.10 in NFR's for FY 23 and \$272,819.50 in FY 22. NFR revenue has been available for many years and is likely not going away soon. It should show as revenue in their Projected Xunaa Borough Budget unless they will no longer be eligible for those funds. Again – we still do not know if **our** NFR revenue will be impacted if the petition is accepted.

If one of the driving factors of the petition and Xunaa's taxation plan is to provide additional funding for their school, why is there not a separate exhibit which includes a school budget or why is it not included along with the Projected Xunaa Borough Budget? The transparency of the inclusion of a school budget is missing in this petition, which according to quotes by Dennis Gray, City Administrator, seems to be one of the main impetuses for the petition. External sources show the current school budget appears currently to be 3.8 million dollars for this fiscal year for 111 students. Shouldn't the school budget be a funding component under the proposed borough beyond just the expense of their local contribution, particularly if one of the drivers is to fund help fund the school? Additionally, is any of the local contribution for the school in the proposed borough budget derived from other funding sources currently being received but not mentioned? What about Impact Aid revenue? The only expense indicated on the proposed borough budget is Xunaa's local contribution. It is unknown whether some of the National Forest Receipts (not listed as revenue) are used for their roads or for part of their local school contribution or both or none? Also, the CAP, both regular and CAP supplemental provided for in the DCED Grants information, seems to be a different amount than on the proposed budget. Not sure if calendar year or fiscal year have anything to do with that.

Most importantly, regarding taxation without representation - There is not a succinct enough explanation of how the 1 percent seasonal sales tax would be implemented nor enforced. There is still a question as to whether the tax occurs at point of sale or point of service delivery. For context I am including an email exchange between a Gustavus charter boat operator and Dennis Gray, City Administrator for City of Hoonah. More of my comments occur after the email which is delineated between the two lines.

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----- Forwarded message -----

From: **Dennis Gray Jr** <[dgray@cityofhoonah.org](mailto:dgray@cityofhoonah.org)>  
Date: Thu, Jan 11, 2024 at 3:11 PM  
Subject: RE: Xunaa Borough  
To: James Kearns <[jim@fairweatheradventures.net](mailto:jim@fairweatheradventures.net)>

Jim,

My apologies for the delayed response to your inquiry. Xunaa Borough as proposed will encompass Glacier Bay, Icy Straits, Northern Chatham Strait, Cross Sound and the Outer Coast. We have indeed proposed an area-wide seasonal sales tax for those areas.

It would be a 1% sales tax and would be in effect for the second and third quarters of any given year. The tax would be delayed in its implementation by a full calendar year from the formation of the Xunaa Borough. We realize that a good portion of summer sales for charters in the region happen in the winter months prior to the summer. The delayed implementation would ensure that any affected operations can have enough time to implement the sales tax without it impacting the business' bottom line. A sales tax is borne upon the customer and only collected by the business on behalf of the Borough. By delaying the implementation by a year, we are ensuring that the affected businesses have a proper amount of time to pass it along to it clients and not be stuck paying that tax from their own accounts.

We do not think that the Xunaa Borough will negatively impact the Gustavus School or the Chatham REAA funding streams. We realize that this is concern and are pressing DCRA to explain to us how

the different payments to each community are derived, so we can explain it more plainly to our neighbors. Once we have that figured out, we will be sharing that information.

Regards,

Dennis H. Gray, Jr.  
City Administrator  
City of Hoonah  
Work: 907 945 3663

**From:** James Kearns <[jim@fairweatheradventures.net](mailto:jim@fairweatheradventures.net)>  
**Sent:** Friday, January 5, 2024 10:32 PM  
**To:** Dennis Gray Jr <[dgray@cityofhoonah.org](mailto:dgray@cityofhoonah.org)>  
**Subject:** Xunaa Borough

Dennis,

Jim Kearns here from Gustavus. Jen Bitimen suggested that I ask you about my questions concerning the proposed Xunaa Borough.

How will it affect Gustavus charter boat businesses that operate in Glacier Bay, Icy Straits, Cross Sound, and the Outer Coast?

Even though based in Gustavus, will there be a seasonal sales tax if using those areas?

Also, how will it affect the funding for Gustavus school which is in the local REAA and Chatham district?

Thanks for your reply.

Sincerely,

Jim Kearns

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Fairweather Adventures at Glacier Bay  
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The projected revenue listed in the Xunaa Borough Budget Exhibit D indicates the 1% seasonal tax and anticipates the first receipt at \$374,520 and increases each of the subsequent two years. This ostensibly includes revenue for those operating in the borough waters. Does this projection include only charter operators, or will it include other vessels such as fuel barges, marine transport services, Fish buyers or what about the charter fleet from Juneau traversing into the proposed borough water boundaries? Some of Juneau's charter operators list that they halibut fish in Icy Strait. There are other tourism ventures that pass into the proposed boundary's waters. I've asked a few folks in Juneau about this and right now they don't believe they will be required to submit to that tax since they already charge city tax rate from Juneau. Likewise, Gustavus receives 3 percent sales tax from

folks who operate from here. Another detail is -If the sales tax is seasonal and the trips are booked in the off season, will taxes need to be collected? Is it for when the service actually occurs? How will this be enforced? How will the water boundaries be recognized so mariners are even aware?

The City of Hoonah currently levies a 6.5% sales tax on sales within the city. It looks like 1 percent of that tax is earmarked for the school. That leaves 5.5 %. However, Exhibit D speaks only to 3.5 percent for Townsite General Sales Tax The Xunaa Borough proposes to maintain that tax, but only for sales with the Hoonah Townsite Service Area. Where is the remaining 2.0 percent? Is one percent for the Pool/Gym? What about the other 1 percent?

The proposed budget says this: Youth Center 1% sales tax - Changed to Seasonal Tax Year 2. In Year Two the 1% seasonal sales tax receipt projections equals the proposed expenditures.

City Administrator Dennis Gray was quoted in the Anchorage Daily News:

Hoonah School District, which has just over 100 students, has an annual budget of \$3.8 million. Incorporation as a borough is expected to net Hoonah's school an additional \$350,000 per year from the state, due partly to having a larger tax base, Gray said.

Also, from a KTOO article:

**Gray said the primary goal is to broaden the tax base and provide more educational funding for the more than 100 students in the Hoonah City School District.**

Does that mean that the Seasonal Sales Tax that appears to have been cited as a reason to supplement the school, is now intended exclusively for the Youth Center's expenses?

SEE PROPOSED BOROUGH BUDGET Exhibit D.

“Changed to Seasonal Tax Year 2

Youth Center Expenses - \$ 456,733 443,000.00 \$ 374,520 \$ 382,386 \$ 390,336

1% Seasonal Sales Tax Revenue - May to October \$ -0 \$ - \$ 374,520 \$ 382,386 \$ 390,336”

Exhibit E section f. of the Petitioner's Brief states:

“City of Hoonah School District enrollment has increased steadily since 2014, while many Alaska school districts continue to lose enrollment. See subsection (iii)(C), post; and \”

In reality this contradicts current numbers. The school population has been decreasing regionally and mostly statewide for some time, so this data is currently invalid.

There is an inserted article about Hoonah winning Community of the Year for its hard-earned success of transforming the community's economy. That is a great success story and deserves accolades! I was at SE Conference to see them receive their award. Hoonah has chosen industrial sized tourism and has other resources to help transform their economy. Why then continue that expansion on the backs of hard-working families and businesses in the surrounding environs to the detriment of those communities that so far have been able to sustain themselves? Is the large

amount of revenue already enjoyed and locally generated by and to Hoonah not sufficient to sustain themselves? I would suggest that it is, and more than adequate revenue can be generated with their own local business ventures without impacting the entire region.

*Finally – The Constitution says “The entire State shall be divided into boroughs, organized **or unorganized**. There was no mandate in the constitution to impose another layer of government on already small cities or villages where their population exists within vast land areas. Particularly when the cities are managing themselves successfully without an additional undue burden of a borough, and sometimes utilizing the area’s resources to contribute to that success.*

In addition to my comments, I concur wholeheartedly with the submission by Nicole Grewe former LBC employee and who is uniquely qualified to present valid objections to the petition based on her knowledge in working with the LBC and with the standards of incorporation. Also, the City of Gustavus has submitted a completely valid, comprehensive analysis on behalf of the community and others have made their concerns and voices heard, also with lawful concerns.

At this point, there are more questions than answers. The boundaries being sought are vast and the tentacles far too overreaching for the purposes of a single city borough. There appears to be many discrepancies and inconsistencies with particular respect to the proposed budget coupled with a lack of information available to the rest of the other communities to determine adverse impacts. This precludes them from forming accurate objections to provide to the Commission. These discrepancies and/or omissions and unavailable information are sufficient enough that, in my opinion, the Commissioners do not have enough of a basis on which to approve the petition.

If we don’t know what we don’t know, how can we possibly proceed before we find out?

Respectfully submitted,

*Kathy Leary*

Kathy Leary

Gustavus, Alaska 99826