



SOLDOTNA
City of Soldotna, Alaska

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**City of Soldotna Comments on *Preliminary Report*
*To the Local Boundary Commission***

**On
Petition to Annex 2.63 Square Miles
Using the Legislative Review Method**

June 19, 2020

Introduction

The Alaska Department of Commerce, Community and Economic Development (DCCED) staff to the Local Boundary Commission (LBC) has done an excellent job analyzing the City of Soldotna's annexation petition. They have properly interpreted all legal standards, and conducted a thorough, credible, and objective analysis.

Staff has appropriately considered the best interests of the State of Alaska in analyzing the petition. The analysis presented in the preliminary staff report is based on current circumstances, and with the perspective gained from actual events and development in the region over the past thirty years.

The City of Soldotna endorses the findings of the LBC staff, and is in agreement that the Soldotna annexation is truly in the best interests of Alaska.

Minor Corrections

These are listed in the attachment to these comments.

Comments on Specific Topics

Legislative Review [p. 3]

The City agrees with LBC staff's analysis of the applicability of the use of the Legislative Review method, and supports the use of the LBC as a neutral, objective body specifically tasked to review proposed boundary changes by the Alaska Constitution. This is most likely to ensure a fair outcome for both the City as well as impacted stakeholders in the Territory and the State of Alaska.

Analysis by Area vs. Territory [pp. 8-11]

Beginning on page 8 of the Preliminary Report, and referenced throughout the document, LBC staff describe the proposed annexation territory by 'area.' In its Petition¹, the City described its methodology in the use of study areas for the fiscal impact study and public engagement processes beginning in 2015, but emphasized that it was not the City's intent to offer each study area as a unique case for annexation. The City views the lands within the submitted petition as a single territory, to be evaluated together against applicable annexation standards.

Need [pp. 12-15]

¹ City of Soldotna Petition, p. 22-23

The City agrees with Staff's reference to the rapid growth and development on the edges of Soldotna that stress our services and undermine Soldotna's tax base, and their conclusion that conditions in the territory warrant annexation.

LBC staff notes on the bottom of page 14 and top of page 15 that the City of Kenai and Kenai Peninsula Borough did not file a responsive brief to the petition, and that staff presumes neither municipality is interested in providing the services that the City of Soldotna now proposes. Both municipalities have had many opportunities to share any reservations regarding the proposed annexation. In addition to formal meetings held as part of the public engagement or pre-submittal process, City staff have provided multiple updates and engaged the Kenai Peninsula Borough and City of Kenai administrations in discussions on this topic, starting in 2015.

Character [pp. 15-17]

The Preliminary Report suggests that it is debatable whether Area 7 along the Kenai Spur Highway is similar in character to the core of Soldotna. The City strongly disagrees, and encourages both LBC staff and commissioners to tour this area when they conduct their public hearing in August. The area along the Spur Highway is similar in parcel size and development characteristics to areas within existing city boundaries. In fact, this is one of the areas where the City extended water and sewer mains to provide service to new commercial development. Like the city core, it contains a mix of both developed and undeveloped lots; and a mix of commercial developments such as malls, dental and medical offices, office space, a new recreation facility, and other service-orientated businesses.

On page 16 of the Preliminary Report it is stated that it may be unrealistic for the City to be able to influence development that has already taken place in Area 7. Based on actual experience with re-development that occurred in Soldotna over the past few decades, the City disagrees.

First, any expansion of an existing structure would need to meet City building and zoning codes. Therefore, as individual property owners initiated remodel and expansion projects, their properties would incrementally step toward compliance with the City's development standards. Many of the structures in Soldotna were built prior to the City's adoption of Zoning standards in the mid-1980s, and these properties followed a similar pattern of incremental change – but always in the direction toward conformity with a higher level of building and site design standards.

In addition to building and zoning codes, the City of Soldotna also has incentivized property upgrades through a municipal matching grant program. Since 2012, the City has operated a Storefront Improvement Program² to encourage and influence the character of our business

² City of Soldotna Annexation Petition, p. 31.

districts. The program offers matching grants for exterior remodels within our commercial areas. To date, the Storefront program has awarded approximately \$88,065 in grant funds, which has leveraged more than \$414,016 of private investment in our downtown. Businesses in the new territory would be eligible to apply for a Storefront Improvement Program grant after annexation is approved.

Finally, the City actively pursues capital improvement projects to improve infrastructure, public spaces, and the aesthetics of our downtown and commercial areas. These capital investments are part of a broader strategy (which includes the grant program, mentioned above) to provide an attractive business community and thriving local economy. Examples of City investment downtown includes:

- New gateway monuments installed in 2018 at the three highway entrances into the community;
- Over \$100,000 of new landscaping and flowering trees within the Sterling Highway and Kenai Spur Highway Rights-of-Way, resulting in a more attractive streetscape;
- Millions of dollars were invested at Soldotna Creek Park – a regional amenity drawing thousands of people;
- Water/sewer improvements, including public-private partnerships to facilitate new commercial development (ex. Walgreen’s).

Essential Municipal Services [p. 26]

The City agrees with staff’s finding that Soldotna provides essential municipal services in a cost-efficient manner and that “virtually all residents and businesses in the annexation territory use or benefit from at least some of those services.”³

Special Note Regarding the COVID-19 Pandemic

Like every municipality in Alaska and around the nation, Soldotna is responding to the COVID-19 pandemic. Our efforts have focused in two areas; the immediate response to dealing with the public health emergency; and also planning for our community’s long-term recovery and improving resiliency against future disasters. These challenging times have further demonstrated the City of Soldotna’s ability to maintain essential services to the community, even through sustained and significant economic disruptions.

In preparing for the FY21 budget, City Staff projected as much as a 22% reduction in general fund revenues due to the COVID-19 health emergency. This estimate was prepared in April 2020, when most local businesses were completely closed due to State of Alaska health

³ One commenter questioned the city’s capability to extend sewage treatment claiming the existing wastewater treatment plant was “at capacity”. [Henry June 9 comment to preliminary report]. This is not accurate. The treatment plant is NOT at capacity as stated in the City’s “Response to Comments” (p. 10) of March 9, 2020.

mandates. Because businesses have been able to re-open and adapt, we now anticipate the impact to City revenue will be significantly less than projected. Regardless, even with a projected revenue loss of more than 20%, the City of Soldotna was not considering increases to its sales tax rate, property tax mill rate, nor a significant decrease in the services it provides. The City of Soldotna has a healthy fund balance, allowing the City to utilize reserve funds to cover revenue shortfalls without negative impacts to the public or the services provided.

In May, the City of Soldotna entered into a grant agreement with DCCED to receive \$7,376,316 in federal CARES Act funds. These funds will be used for eligible City expenses related to response and recovery from the COVID-19 pandemic, which include; personnel time dedicated to the public health response; expenses related to acquiring materials and supplies such as PPE and items needed to comply with State of Alaska and CDC public health recommendations; and pass-through grants to local business owners and area non-profits, to help them cope with the financial disruption and continue offering important services to the community.

In addition, and prior to receiving the CARES Act funding, the City of Soldotna also took action to support individuals in the community suffering from financial hardship, including:

- Reducing all water and sewer rates for commercial and residential customers by 50% for the months of May and June (a saving to residential and commercial ratepayers of \$190,000 over that two-month period); and
- Offering \$15,000 in grants to local businesses, for the purpose of upgrading their web presence to reach more customers during mandated business closures.

Information provided in the city's petition⁴ demonstrates the municipality's capacity (financially) to extend services to residents, businesses, and property owners in the territory proposed for annexation. The COVID-19 pandemic, which was unexpected and has caused severe disruption, presents another example of the City's strong financial position. Soldotna is well-positioned to navigate these changing circumstances with minimal disruption to Soldotna residents and property owners. No tax increases are anticipated due to the COVID-19 pandemic, even if the emergency extends into FY22.

The City's ability to extend municipal services into the Annexation Territory has not been impacted by the COVID-19 pandemic.

Conclusion

The City of Soldotna endorses the findings and conclusions of the Preliminary Report to the Local Boundary Commission, and respectfully asks staff to maintain its proposed

⁴ City of Soldotna Annexation Petition, p. 128.

recommendation in the final version of the report. The City is hopeful the LBC Commissioners will concur with the staff recommendation.

Annexation, if approved by the Commissioners and later the Legislature, will be a positive addition to the growth and maturity of local government in our state as envisioned in the Alaska Constitution, and it will expand local government services and benefits to residents, property owners, and business owners of the greater Soldotna area.

ATTACHMENT 1

p. 5 – Reference to “Skyview High School.” The Kenai Peninsula Borough School District closed “Skyview High School” at the end of the 2013-2014 school year and the building was converted into “Skyview Middle School.” There are multiple references throughout the Preliminary Report to the high school that is now closed.

p. 11 – The ‘Taxation’ section references a KPB “base property tax rate of 4.7 mills, of which 1.4 mills is assessed to property within the single Road Service Area...” The road maintenance levy of 1.4 mills is in *addition* to the base rate of 4.7 mills.

p. 11 – The ‘Taxation’ section suggests that properties annexed by the City of Soldotna would see a net reduction in property tax of 0.5 mills. Because the road maintenance mill rate (1.4 mills) is in addition to the base rate, the actual reduction in property taxes would be 0.9 mills.

p. 20 – The third paragraph in the population section attributes a traffic count “over the David Douthit Veterans Memorial Bridge” to page 131 of the City’s Petition. The chart and text on page 131 of the Petition do not reference traffic over the bridge, but instead reference two other unique highway segments.