

KETCHIKAN CHARTER COMMISSION

AGENDA STATEMENT

NO _____ G-1 & G-2 _____

MEETING OF **May 19 & 21, 2004**

ITEM TITLE Work session to discuss the 2004 Draft Consolidation Petition and Exhibits, and the 2004 DRAFT Ketchikan Charter SUBMITTED BY Glen Thompson

1

SUMMARY STATEMENT

In its' efforts to complete a viable Consolidation Petition for submittal to the Local Boundary Commission by September 30, 2004, the Ketchikan Charter Commission adopted as a working draft the City of Ketchikan's 2001 Charter. Similarly, the Commission intends to review and modify the City of Ketchikan's 2001 Consolidation Petition and Exhibits.

During this weeks' meeting, the Commission will recess into work session to the review the Consolidation Petition and Exhibits, as well as the 2004 DRAFT Ketchikan Charter.

NOTE: This work session will likely recess on May 19th and reconvene, still in work session, on May 21st at 6 pm.

RECOMMENDED ACTION:

G-1 "I move to recess into work session to discuss the Draft 2004 Petition and Exhibits, as well as the 2004 DRAFT Ketchikan Charter."

G-2 "I move to reconvene into regular session to consider changes to the Draft documents."

¹ Work sessions are informal discussion sessions held for purpose of exchanging and gathering information. No action may be taken, formal rules of order are relaxed, and minutes are not kept.

EXHIBIT A

Statement of Principal Reasons for the Proposal to Consolidate

Historical Perspective:

The greater Ketchikan community is located on Revillagigedo Island, which is situated in the southern portion of the Southeast Alaska panhandle. Having a population of 13,548² Ketchikan has long been the center of residential, retail and business activity within this region of the State. Although its residents share a multitude of common interests and beliefs, they are served by three separate and distinct local governments. The City of Ketchikan, which has a population of 8,002³, is a home rule city. The City of Saxman, which has a population of 425⁴, is a second-class city. Its current legal status is unaffected by the consolidation proposed within this petition. The Ketchikan Gateway Borough is a second-class borough.

Issues regarding the structure and configuration of Ketchikan local government have been debated periodically throughout the last two decades. During these times of debate, residents of Ketchikan and their elected and appointed officials have examined and assessed various means of combining local governments, in order to achieve efficiencies and economies of scale. In 1973, a proposition was placed before the voters to unify the City of Ketchikan, the City of Saxman, and the Ketchikan Gateway Borough.

Although voters within the City approved the ballot measure, it was defeated in Saxman and the outlying areas of the Borough. Consequently, the proposition failed. In 1975, the Mayor of the City of Ketchikan appointed a "Study Committee for Local Government Efficiency." The Committee concluded that "a consolidated form of government . . . offers the greatest promise."⁵ The Mayors of the Borough and the City subsequently directed their respective staffs to refine the Committee's report, in order that reorganization of the local government structure could be advanced. In May of 1976 the City and the Borough produced a consolidation study, but no action was taken and interest in the issue appears to have waned in the 1980's.

In recent years the subject of improving local government structure has been renewed. In 1990, the Ketchikan Chamber of Commerce formed a study group to investigate the process and benefits of consolidating the City of Ketchikan and the Ketchikan Gateway Borough. The efforts of this group resulted in the City and Borough jointly funding a local government consolidation study. The study was released in 1993 and examined the cost of local government duplication and evaluated possible savings resulting from consolidation.⁶ The analysis, commonly

² Alaska Department of Community and Economic Development, 2003 Demographer estimate.

³ Alaska Department of Community and Economic Development, 2003 Demographer estimate.

⁴ Alaska Department of Community and Economic Development, 2003 Demographer estimate.

⁵ Report of the Study Committee for Local Government Efficiency, September, 1975.

⁶ Ketchikan Local Government Consolidation Study, March, 1993.

referred to as the “Chitwood Study” (see Exhibit A-1), reached several important conclusions about the potential of consolidating the City and the Borough, including the following:

1. Several City and Borough departments duplicate each other and a number of positions could be eliminated under a newly consolidated form of government.
2. Current City and Borough services could continue to be provided as they are now under a newly consolidated form of government.
3. The City of Saxman and the existing service areas within the Borough can continue to operate as they do now under a newly consolidated form of government.
4. Consolidation will simplify relations with the federal and state governments, both of which are highly important to the Ketchikan community.

Following the release of the Chitwood Study, the Ketchikan Chamber of Commerce sponsored a series of discussions, in order to address the structure of local government in Ketchikan. These meetings identified alternative forms of government of the combined City and Borough. A representative of the former State Department of Community and Regional Affairs participated in a number of these meetings and responded to questions regarding the effect of consolidation on State funding.

In 1994, the City of Ketchikan established a committee of citizens and local officials, in order to prepare a draft charter for a consolidated City and Borough government. This committee’s work formed the basis of the proposed charter incorporated within this petition.

In 2001, voters throughout the Borough voted on the City of Ketchikan’s consolidation proposal. That proposal, like the proposal under development, left the City of Saxman in place. It was defeated, however, when less than 42 percent (42%) of the Borough voters cast ballots in support of the plan, although over 65 percent (65%) of the City voters cast ballots in favor of the proposal, the Borough-wide tally is the only one that mattered.

Early in 2003 a Greater Ketchikan Chamber of Commerce group was formed – the Ketchikan-One Government Committee to establish the Ketchikan Consolidation Commission. In May, 2003, the Ketchikan-One Government Committee submitted a formal application for an initiative petition to the Borough Clerk. By August, 2003, the sponsors of the initiative gathered nearly 900 signatures. In an October 7, 2003 election, voters in the Ketchikan Gateway Borough approved the initiative. In a January, 2004 election, fifteen percent (15%) of the voters elected seven individuals (3 representing the City residents, 3 representing the Non-City residents, and 1 at-large member) to form the Ketchikan Charter Commission.

Principal Reasons For Consolidation:

1. Consolidation promotes maximum local self-government with a minimum of local government units.

Article X, Section 1 of the Alaska Constitution states that the purpose of the Local Government Article is to “provide a maximum of local self-government with a minimum of local government units.” The proposed consolidation will dissolve the home rule City of Ketchikan and the second class Ketchikan Gateway Borough, in order to form one consolidated home rule local government. The proposed home rule status of the consolidated borough meets this constitutional intent by promoting maximum local self government for a larger number of people with less government units. The City of Saxman and the existing service areas within the Borough will remain in existence after the consolidation. The former City of Ketchikan will become a service area under the consolidated home rule borough that is proposed.

2. Consolidation encourages efficiencies and economies of scale within local government.

Neither the City of Ketchikan nor the Ketchikan Gateway Borough, when examined separately, are inefficient or poorly run. When one considers a total Borough population of 13,548, and the fact that sixty percent of its residents reside within the City, the inefficiency of maintaining two separate government structures becomes, however, readily apparent. Given the decline of Southeast Alaska’s natural resource based economy and the State’s current fiscal gap, it is incumbent upon elected and appointed officials to encourage as efficient a local government as possible.

There exist two governing bodies and four departments within the City of Ketchikan and the Ketchikan Gateway Borough that are analogous to one another and which require a redundant investment of community resources:

- _City Council and Borough Assembly;
- City Clerk and Borough Clerk;
- _City Manager and Borough Manager;
- City Attorney and Borough Attorney; and
- City Finance and Borough Finance Departments.

Consolidation will provide for the amalgamation of these governing bodies and departments. The government structure resulting from consolidation will be significantly smaller and less costly to the community as a whole. As is discussed in the Transition Plan, the consolidated government is initially expected to have eight less elected officials and eight less middle and upper management positions than are currently retained by the City and Borough. **The elimination of these positions will result in first year savings to the community of approximately \$950,000.** It is anticipated that additional savings will accrue to the consolidated government as further efficiencies are identified in the future.

3. Consolidation establishes a single provider of municipal services and results in a more effective and accountable government structure.

Separate City and Borough governments often lead to confusion and frustration among the citizenry of Ketchikan. Both the City and Borough are responsible for separate and distinct services that benefit the entire community of Ketchikan. Residents of the community often become perplexed and frustrated when attempting to determine which government is responsible for what service. The Borough is, for example, responsible for land use regulation on an areawide basis, while the City is charged with enforcement of building codes within its boundaries. Often the two are at odds and the local resident finds himself or herself shuffling back and forth between the two entities for answers.

Depending on the issue, constituents may find themselves in the position of not only having to deal with two government staffs, but two elected boards as well. A consolidated government by its very nature will provide for a higher degree of accountability. One elected board and management staff will be responsible for exercising and providing all areawide and non-areawide powers and services within the community in as an efficient and cost-effective manner as possible. Issues of “turf” will be eliminated and residents of the community will have direct knowledge of who is responsible for satisfying constituent concerns.

4. A consolidated government enhances the community’s ability to determine areawide policies and priorities and to represent itself in a unified manner when dealing with state and federal agencies.

Again, both the City and Borough are responsible for separate and distinct services that benefit the entire greater community of Ketchikan. As such, each jurisdiction may have different perspectives as to what policies and projects constitute priorities for the community. The Borough is responsible, for example, for long-term planning and economic development. The City is, on the other hand, charged with providing major regional services and infrastructure to the community. By their very nature each set of powers and services is dependent upon the other when attempting to advance the interests of Ketchikan forward.

The separation of areawide and non-areawide services between the City and Borough does not provide an environment that lends itself well to such a harmonious approach. While each government jurisdiction promotes its own respective agenda, what benefits the community as a whole can sometimes be over-looked. The Ketchikan Gateway Borough considered, for example, the acquisition of real property, in order to establish a new office complex for a growing Borough staff. At the same time it had been well known that the City of Ketchikan was pursuing the consolidation of the City and Borough and anticipated a vote by residents in late 2000 or early 2001.

As observed by prominent local resident Peter Ellis, what was lacking by the Borough's proposal was "any sort of appreciation as to the potential effects of consolidation and a need to combine governmental activities when consolidation occurs . . . Certainly an overall assessment of not only Borough office needs but City, as well, should be a priority in terms of any building acquisition or development plans" (see Exhibit A-3).

Effective comprehensive planning mandates a consolidated government that can establish policies and priorities that integrate the best interests of the entire community as a whole, as opposed to separate jurisdictions only concerned with their respective goals and programs.

A similar assessment can be made with respect to the community's relationship with the State and Federal governments. It is anticipated that consolidation would enhance the community's ability to interact with intergovernmental agencies. Although the community attempts to work together in promoting an agenda for itself, often mixed messages are sent as the Borough and City compete for their priority issues in an environment of declining federal and state resources. A unified front is absolutely essential within the context of potentially decreasing legislative representation and diminishing Federal and State funding. A consolidated government representing the agreed-upon interests of the entire community will be much more effective in advancing the priorities of Ketchikan forward into the next century.

5. Consolidation provides for an equitable distribution of the management and cost of providing regional community services.

Under the status quo several regional services that are used and relied upon by the entire community are provided and paid for by the City. These services include, but are not limited to, the Ketchikan General Hospital; the Gateway Center for Human Services (mental health and substance abuse); emergency medical services; emergency 911 dispatch services; public health services; senior citizen support services; community cemetery services; community cultural services including the Tongass Historical Museum, the Ketchikan Public Library and the Ted Ferry Civic Center; and the operation and ownership of the telephone and electric utilities. Consolidation will transfer these services and their associated costs to an areawide government.

These areawide services will be provided by a governmental entity that represents the entire area served rather than by a sub-jurisdiction representing City residents only. All residents will become enfranchised regarding the management of these regional services and infrastructure, and subsequently pay their proportionate share of the costs. As was recognized in the October 13, 1999 editorial of the Ketchikan Daily News (see Exhibit A-4), the ability to equitably pay for services that benefit the entire community dictates the "need to figure out a way to have one government, one mayor,

one tax bill - one day soon . . .”

6. Consolidation enhances local government’s ability to provide for effective economic development and long-term planning.

The greater Ketchikan community is undergoing a significant and difficult economic transition. Traditionally dependent on resource-based industries such as timber and fishing, the local economy has suffered in recent years as the result of lower logging levels in the Tongass National Forest and the uncertainty over international fishing agreements and acceptable allocations. In March of 1997, the community’s major employer, Ketchikan Pulp Company, closed its pulp mill operations at Ward Cove. An estimated 500 direct, highly paid positions were eliminated and up to an additional 500 secondary jobs that supported mill operations were lost within the community.

Although both the City and Borough have attempted to support local economic diversification, **[again]** the separation of powers and services have prevented a unified and effective approach. While the Borough has been utilizing its financial resources to actively promote economic development and the recruitment of new businesses, the City has centered its attention on sustaining such growth in terms of insuring adequate utility capacity and infrastructure. **[What often results can no better be described as the “chicken or egg” syndrome.]** The Borough is currently attempting to develop industrial park facilities on Gravina Island at Lewis Reef, which is adjacent to the Ketchikan International Airport. Such economic development efforts are certainly in the community’s best interests. **[and are supported by the City.]** Depending on what type of commercial/manufacturing concerns locate to this facility, it is uncertain as to whether sufficient electrical capacity will be available to meet increased industrial demand.

Economic development and adequate utility/infrastructure capacity must be managed as a coordinated effort, drawing on the resources of both the City and the Borough, if the community is to successfully grow and prosper. A consolidated home rule borough that is responsible for all areawide and nonareawide powers and services is the best mechanism by which to accomplish this objective.

7. Consolidation provides for a single government entity to represent an area that is socially and economically unified.

The residents of the City of Ketchikan and the Ketchikan Gateway Borough are strongly integrated in many social and economic respects and share a common community life. Typically, residents of either the City or Borough identify themselves as being from “Ketchikan.” The economic, educational, social and religious lives of Ketchikan area residents are well interconnected. The area is further united by areawide education, health and utility (telephone and electric) systems. Demographic and socioeconomic data collected by both the federal and state governments display uniformity in the community (see Exhibit A-3).

Having approximately sixty percent of the total Borough residents, the City of Ketchikan is the most densely populated area [**center**] within the Borough. Other smaller but well- defined neighborhoods are located on the main road system including Waterfall, North Point Higgins, South Point Higgins, Pond Reef, [**Shoreline**], Forest Park, Shoup Street and Mountain Point. The residents of these neighborhoods have a significant degree of economic reliance on the City of Ketchikan. They have marginal economic bases of their own and most do not have institutions such as churches, banks, post offices or civic associations commonly associated with independent communities. Most of these neighborhoods function as “bedroom” communities, providing a semi-rural housing environment for people working in the City of Ketchikan.

The areas described above have historically been indistinguishable as independent communities. Consolidation of the City and Borough will provide for a single government entity representing a population that shares a common set of social, economic and cultural interests.

EXHIBIT A-3 Community Uniformity

City of Ketchikan and the Ketchikan Gateway Borough

The following information demonstrates that the City of Ketchikan and the Ketchikan Gateway Borough are socially and economically unified and interrelated.

Demographic Data Of The Community (Based on 2000 U.S. Census figures)

Age Group	<5	5-14	15-19	20-34	35-44	45-59	60-74	75+
Borough 14,070	964	2,322	1,044	2,476	2,629	3,043	1,123	469
% of Total	6.8%	16.5 %	7.4 %	17.6 %	18.7 %	21.6 %	7.9 %	3.3 %
City 7,922	566	1,188	590	1,510	1,393	1,628	702	345
% of Total	7.1%	14.9%	7.4 %	19 %	17.6 %	20.5 %	8.8 %	4.3 %

Race Make-up	Ketchikan Gateway Borough	City of Ketchikan
Caucasian	74.3 %	67.4%
Native	19.1 %	22.7%
Asian and Pacific	4.4 %	7.05%
African-American	.5%	.7%

Population Data Of The Community (Based on Alaska Department of Labor)

Population Growth

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003
Borough	14,764	14,654	14,500	14,143	13,961	14,070	13,855	13,670	13,542
% Change		- .7 %	- 1.1%	- 2.5%	-1.3%	+ .7%	- 1.5%	- 1.3%	- .9%
City	8,616	8,666	8,507	8,402	8,320	7,922	7,656	7,845	8,002
% Change		+ .6%	- 1.8%	- 1.2%	- 1 %	- 4.8%	- 3.3%	+ 2.4%	+ 2%

Economic Data Of The Community (Based on 2000 U.S. Census)

Median Family Income (1999\$):	City of Ketchikan	\$45,802
	Ketchikan Gateway Borough	\$51,344
Median Value Of Home (1999\$):	City of Ketchikan	\$143,700
	Ketchikan Gateway Borough	\$165,000

Education (K - 12) Information

One School District (Ketchikan School District) serves the entire Ketchikan Community. The School District has one high school (9 through 12), one middle school (7 and 8) and one alternative secondary school (7 through 12), all of which are located within the City of Ketchikan. The School District has four elementary schools, three located within the City of Ketchikan and one located outside the City of Ketchikan. All elementary schools are open enrollment-type schools, allowing parents, regardless of where they reside, to enroll their child in the elementary school of their choice. The community also has two elementary Charter Schools located within one of the elementary facilities. Similar to other elementary schools, enrollment into the Charter Schools is available to all community residents regardless of where they reside.

Health Care/Social Service Information

The Ketchikan Community has one hospital that serves not only the Ketchikan Community but Southern Southeast Alaska. Ketchikan General Hospital is owned by the City of Ketchikan and operated by Peace Health Corp. through a long-term agreement with the City. The City also provides social services (mental health and substance abuse) to the same population through its Gateway Center For Human Services Department. Use and/or cost of health care and social services is not differentiated by location of residence.

Cultural Information

The City of Ketchikan owns and operates the community library, community museum, Totem Heritage Center and Civic Center. Use and enjoyment of these cultural facilities is shared by all Ketchikan Community residents.

Religious Information

The Ketchikan Community has in excess of twenty-five churches of various denominations located both inside and outside the City of Ketchikan. Of churches located within the Ketchikan Community, there is little, if any, duplication of doctrine and each church serves the community as a whole.

Utility Information

The City of Ketchikan, through Ketchikan Public Utilities, is the sole provider of electrical power and local telephone service throughout the Ketchikan Community. The City also operates the only certified residential solid waste landfill in the Ketchikan area and affords solid waste disposal services to all Ketchikan Community residents.

EXHIBIT D**Composition and Apportionment of the Assembly of the Proposed Home Rule Borough to be Formed Through Consolidation**

The existing City of Ketchikan and the Ketchikan Gateway Borough are each governed by legislative boards comprised of ** seven members and a mayor **, which results in a total of sixteen elected positions representing the two municipal governments. The Ketchikan Gateway Borough School Board, which is unaffected by this petition, is comprised of an additional six school board members and president. All of these positions are elected at-large within respective boundaries of the governmental units.

The Assembly of the proposed municipality of Ketchikan will consist of ** seven ** assemblymembers and a mayor. All of these positions will be elected ** at-large ** for a three year term except for the first election at which time terms will be staggered as set forth in paragraph (c) of Section 2.02 of Article II of the proposed Charter. The consolidation will result in a reduction of eight elected positions. ** No apportionment plan is required as a result of all positions on the Assembly being elected at-large.** Several options including equal population districts, multi-member districts and a combination of both multimember and at-large districts were examined during the drafting of the proposed Charter.

The at-large election alternative was chosen as a result of the following considerations:

1. The process currently used of selecting City and Borough representatives from an at-large pool of candidates is well accepted and understood in the two municipalities.
2. The continuation of an at-large electoral system will serve to lessen the amount of change and disruption to voters of the consolidated home rule borough.
3. An at-large electoral process will provide the opportunity for residents within any area of the borough to serve the entire community.

EXHIBIT E-3**Powers, Services and Taxes for Each Proposed Service Area**

SERVICE AREA POWERS AND SERVICES. Listed below are the services proposed to be provided and the powers proposed to be exercised by the borough on a service area basis within each proposed service area. These consist of powers and services that will not be exercised or provided on an areawide basis or those that will be provided or exercised on a higher, lower or otherwise different level than on an areawide basis.

To the extent that voter approval is required to grant the powers and authority for services listed below, as may be amended on a reasonable basis by the Local Boundary Commission following a public hearing on this petition, voter approval will be deemed to have been granted upon approval by those voters required for such measures during the consolidation election.

1. Ketchikan Service Area (former City, et. al.):
 - a) Police Protection
 - b) Fire Suppression
 - c) Public Works
 - d) Engineering
 - e) Streets and Roads Maintenance
 - f) Solid Waste Collection
 - ** g) Facility and Vehicle Maintenance **
2. Forest Park Service Area:
 - a) Construction, Maintenance and Operation of Roads, including Street Lighting
3. Gold Nugget Service Area:
 - a) Street Construction and Maintenance
4. Mud Bight Service Area:
 - a) Street Construction and Maintenance
 - b) Water Supply, Treatment and Distribution*
5. South Tongass [**Volunteer Fire Department**] Service Area:
 - a. Fire Protection
 - b. EMS
 - c. Construction, maintenance, operation, and regulation of a water supply, treatment, and distribution system, including hydrants.
6. Waterfall Creek Service Area:
 - a) Street Construction and Maintenance
7. Nichols View Service Area:
 - a) Street Construction and Maintenance*

8. Deep Bay Service Area:

- a) Street Construction and Maintenance*
- b) Harbor and Dock Construction, Maintenance and Operations*

9. Long Arm Service Area:

- a) Street Construction and Maintenance*
- b) Harbor and Dock Construction, Maintenance and Operations*

10. Vallenar Bay Service Area:

- a. Street Construction and Maintenance*

11. North Tongass Fire and Emergency Medical Services Service Area

- a) Fire and Emergency Medical Service

***Service currently not provided by Service Area.**

SERVICE AREA TAXES. The type and rate of each service area tax proposed to be initially levied by the borough is listed below. To the extent that voter approval is required to grant authority to levy proposed service area taxes listed in this petition, as may be amended on a reasonable basis by the Local Boundary Commission following a public hearing on this petition, such will be deemed to have been granted upon approval by those voters required for such measures during the consolidation election.

For informational purposes service area charges for wastewater treatment & collection and Utility charges for water treatment & distribution within the Ketchikan Service Area are also detailed.

1. Ketchikan Service Area (former City, et. al.):

- a) Service Area Property Tax: 2.8 mills
- b) Sales Tax: 2.5%

Services Paid for by User Fees:

- a) Solid Waste Collection: \$ 9.72/month
- b) Water Treatment and Distribution:* \$23.00/month

***Utility power exercised initially only within Ketchikan Service Area.**

2. Forest Park Service Area:

- a. Service Area Property Tax: 2.20 mills
- b. South Tongass Service Area Tax: 1.00 mills

3. Gold Nugget Service Area:

- a. Service Area Property Tax: 0.00 mills
- b. South Tongass Service Area Tax: 1.00 mills

Services Paid for by User Fees:

- i) Street Construction and Maintenance: \$66.00/quarter

4. Mud Bight Service Area:

- a. Service Area Property Tax: 0.00 mills
- b. North Tongass Fire & EMS Service Area Tax: 1.70 mills

Services Paid for by User Fees:

- i) Street Construction and Maintenance: \$120.00/year

5. South Tongass [**Volunteer Fire Department**] Service Area *:

- a) Service Area Property Tax: 1.90 mills
- * Includes Saxman (Area 86), Forest Park, and Gold Nugget areas

6. Waterfall Creek Service Area:

- a. Service Area Property Tax: 0.00 mills
- b. North Tongass Fire & EMS Service Area Tax: 1.70 mills

Services Paid for by User Fees:

- i) Street Construction and Maintenance: \$60.00/year

7. Nichols View Service Area:

- a) Service District Property Tax: 0.00 mills

8. Deep Bay Service Area:

- a) Service Area Property Tax: 0.00 mills

9. Long Arm Service Area:

- a) Service Area Property Tax: 0.00 mills

10. Vallenar Bay Service Area:

- a) Service Area Property Tax: 0.00 mills

11. North Tongass Fire and Emergency Medical Services Service Area *:

- a) Service Area Property Tax: 1.70 mills
- * Includes Mud Bight & Waterfall Creek Service Areas

EXHIBIT G

VOTING RIGHTS INFORMATION

Information relevant to consideration of the petition in terms of the federal Voting Rights Act is detailed below:

A. The consolidation of the City of Ketchikan and the Ketchikan Gateway Borough does not exclude minorities while including non-minorities.

Since the City of Ketchikan is already part of the Ketchikan Gateway Borough, the consolidation of these two governments cannot result in the exclusion or inclusion of any particular population. All of the people affected by the consolidation are already within the Ketchikan Gateway Borough and will remain part of the newly consolidated borough (the municipality of Ketchikan).

The percentages of minorities living within the City of Ketchikan are nearly identical to the percentages of minorities living in the Ketchikan Gateway Borough. The Census 2000 Redistricting Data (Public Law 94-171) Summary File shows the City's population as 67.4% Caucasian; .7% African-American; 17.6% native; and 7% Asian-Pacific Islander. By comparison, the Borough's population was 74.3% Caucasian; .5% African-American; 15% native; and 4.5% Asian-Pacific Islander. The consolidation does not affect the percentage of minorities living in the municipality of Ketchikan since that municipality will have the same minority composition as the existing Ketchikan Gateway Borough.

The City of Saxman is a second-class city with a population of 431.⁷ Approximately 88% of Saxman's population is identified as native. The City of Saxman is currently part of the Ketchikan Gateway Borough and will remain a part of the consolidated municipality of Ketchikan. Under Article XIII of the proposed Charter for the municipality of Ketchikan, the City of Saxman retains its status as a second-class City. The City of Saxman believes that it will be better able to receive state and federal funding and be better able to preserve its native culture if it retains its status as a city within the consolidated municipality of Ketchikan. Representatives of the City of Saxman have expressed a desire to maintain its current status under the consolidated [Borough] municipality.

The City of Saxman will retain its current powers over its museum, port, parks, recreation and economic development. To the extent provided by state law, the City of Saxman will exercise all other powers of a second-class city in a home rule borough. The consolidated municipality of Ketchikan will exercise areawide and nonareawide powers in the City of Saxman. After consolidation, the residents of the City of Saxman will gain the right to vote on issues affecting Ketchikan Public Utilities that supplies electricity and telephone service to Saxman. Ketchikan Public Utilities has been

⁷ Based on the Census 2000 Redistricting Data (Public Law 94-171) Summary File

owned and operated by the City of Ketchikan but will become owned and operated by the consolidated municipality of Ketchikan.

B. *Whether the electoral system of the proposed home rule borough fairly reflects minority voting strength.*

The proposed Charter for the municipality of Ketchikan continues the ** at-large ** voting system that exists in the City of Ketchikan, the Ketchikan Gateway Borough and the Ketchikan Gateway School District. Minority voting strength is reflected through the at-large voting system. As noted earlier, the consolidation will extend to the population of the City of Saxman the right to vote and participate in issues affecting its electrical and telephone services.

C. *The extent to which minorities participated in the development of the consolidation proposal.*

The proposed consolidation has been discussed at innumerable public meetings during the course of the last five years. Public comment was permitted by all persons at these meetings. Furthermore, representatives of the City of Saxman were invited to participate in a charter review commission established for the purpose of creating an initial first draft of the proposed Charter. The City of Saxman's participation was obtained during this initial charter preparation. The Ketchikan Charter Commission [City] has written to prominent minority group organizations to inform them of the pending consolidation and to invite formal and informal participation by the organizations and their members (see Exhibit G-1).

D. *Statement concerning the extent to which English in written and spoken forms is not understood by minorities at least eighteen years of age who reside in the territory proposed for consolidation.*

English is spoken and understood throughout the City of Ketchikan and the Ketchikan Gateway Borough. All minority groups are familiar with English in written and spoken form. Spanish or Tagalog may occasionally be spoken within the Filipino community. [by new immigrants.] Some residents are fluent in Tlingit, Haida or Tshimshian as well as English.

E. *Designation of Alaska Native for U.S. Department of Justice contract.*

The City has designated Ernest Boyd, a Tlingit, as the Alaska Native designated for U.S. Department of Justice contact. Mr. Boyd's address and telephone number are:

P.O. Box 6831,
Ketchikan, Alaska 99901
(907) 225-2567

EXHIBIT G-1

Letters to Minority Group Organizations

Regarding the Proposed Consolidation

KETCHIKAN CHARTER COMMISSION

March 10, 2004

Dear Saxman Official:

We just wanted to let you know that Article XIII, Saxman, will be introduced at the March 12, 2004 Charter Commission meeting, reviewed in first reading by the Charter Commission on March 19, 2004, again on March 26, 2004, with a final reading on April 2, 2004. The Charter Commission's regular meetings are Friday evenings at 6 pm in the City Council Chambers.

Attached, for your review, is the language of the City of Ketchikan's 2001 Consolidation Charter document on Saxman. The 2004 Charter Commission needs input from the citizens affected by this section and would appreciate your comments, either at our meetings, on our Internet Forum at www.sitnews.us/ or by direct email to charter@kpunet.net.

Our regular meetings offer public comment time at the beginning of the meeting. We would certainly like to hear from you regarding your concerns about this section of the proposed Charter, or on any subject regarding consolidation of our two governing bodies.

Thank you. Hope to see you at the meetings.

Sincerely,

Debby Otte, Secretary
Ketchikan Charter Commission

Attachments, Article XIII

Fnam	Lnam	Board	Add	City
Dan	Williams	Mayor, City of Saxman	2706 South Tongass	Ketchikan, AK 99901
Gilbert	Benge	Vice Mayor, City of Saxman	2706 South Tongass	Ketchikan, AK 99901
Sylvia	Banie	Council Member, City of Saxman	2706 South Tongass	Ketchikan, AK 99901
Tim	Burton	Council Member, City of Saxman	2706 South Tongass	Ketchikan, AK 99901
Charles	Denny	Council Member, City of Saxman	2706 South Tongass	Ketchikan, AK 99901
Frank	Seludo	Council Member, City of Saxman	2706 South Tongass	Ketchikan, AK 99901
Martha	Williams	Council Member, City of Saxman	2706 South Tongass	Ketchikan, AK 99901

EXHIBIT H**BRIEF**

This exhibit presents a statement fully explaining how the proposed consolidation satisfies the standards set out in Article X, §§ 1, 3 and 5 of Alaska's constitution; AS 29.06.130; AS 29.05.031; 3 AAC 110.240 - 3 AAC 110.250; 3 AAC 110.045 - 3 AAC 110.060; and 3 AAC 110.910. The brief references each of these standards and explains why the proposed consolidation is good public policy. The brief in conjunction with Exhibit A demonstrates that:

1. The proposed consolidation promotes maximum local self-government with a minimum of local government units in accordance with Article X, § 1 of the Constitution of the State of Alaska.

The greater Ketchikan community is located on Revillagigedo Island, which is situated in the southern portion of the Southeast Alaska panhandle. Having a population of [~~slightly less than~~] approximately 13,500 [~~14,000~~] inhabitants, the Ketchikan community has long been the center of residential, retail and business activity within this region of the State. Although its residents share a multitude of common social and economic ties, they are served by three separate and distinct local governments: the Ketchikan Gateway Borough, a second class borough serving the entire Ketchikan community; the City of Ketchikan, a home rule city located within the Borough; and, the City of Saxman, a second class city also located within the Borough.

Article X, Section 1 of the Alaska Constitution states that the purpose of the Local Government Article is to “provide a maximum of local self-government with a minimum of local government units.” The proposed consolidation serves both of these constitutional principles. First, the consolidation dissolves the home rule City of Ketchikan and the second class Ketchikan Gateway Borough, in order to form one consolidated home rule local government encompassing both entities. Under the proposed consolidation configuration, the existing City of Ketchikan will become a service area managed under the consolidated home rule borough and the City of Saxman will retain its second-class city status. Second, as a home rule borough, the newly established borough government will have the highest level of local self-government allowed by the Alaska Constitution.

The City of Saxman was intentionally excluded from the proposed consolidation of the City of Ketchikan and the Ketchikan Gateway Borough into a home rule borough. The City of Saxman has long believed that retaining its status as a second-class city within the consolidated [Borough] municipality will preserve its native culture and enhance its ability to secure state and federal funding.

Minimum units of local government

The City of Ketchikan was incorporated in 1900. In 1964, it became a home rule city.

The 2003 estimated [1999] population of the City was 8,002 [8,320]. The City operates under a council-manager form of government. The City Council is comprised of seven Councilmembers who are elected at-large from within the City boundaries. The Mayor, who is also elected at-large, is not a member of the City Council, but does vote in the case of a tie.

The City of Saxman was incorporated in 1929. With a 2003 estimated [a 1999] population of 425 [371], the second class city under Alaska Statutes has a city council comprised of seven councilmembers. A mayor is selected by the City Council from its members on an annual basis. Day-to-day operations of Saxman are managed by a City Administrator.

The Ketchikan Gateway Borough was formed in 1963 as one of the original “local option” boroughs. A second class borough with a 2003 estimated [1999] population of 13,548 [13,961], the boundaries of the Ketchikan Gateway Borough encompass both the City of Ketchikan and City of Saxman. Similar to the City of Ketchikan, the Ketchikan Gateway Borough operates under an assembly-manager form of government. The Borough Assembly is comprised of seven Assemblymembers who are elected at-large from within the Borough boundaries. The Mayor, who is also elected at-large, is not a member of the Borough Assembly, but does vote in the case of a tie.

Although the seventh largest political subdivision in the state, the population of the Ketchikan Gateway Borough is relatively small. Given the fact that approximately 61.4 [sixty] percent of the Borough’s population resides within the City of Ketchikan and that the social and economic ties of all Borough residents, whether they reside inside or outside the City, are integrated and strong, it is inefficient to maintain the City of Ketchikan and the Ketchikan Gateway Borough as two separate governmental structures. The inefficiency is readily apparent when one considers the overlapping responsibilities and costs necessary to operate these two independent governments. Currently, for example, there exist two governing bodies and four departments within the City of Ketchikan and the Ketchikan Gateway Borough that are analogous to one another and which require a redundant investment of community resources:

-
- City Council and Borough Assembly;
- _City Clerk and Borough Clerk;
- City Manager and Borough Manager;
- City Attorney and Borough Attorney; and
- _City Finance and Borough Administrative Services.

Consolidation will provide for the amalgamation of these governing bodies and departments. The government structure resulting from consolidation will be significantly smaller and less costly to the community as a whole. As is discussed in the Transition Plan, the consolidated government is initially expected to have ** 8 less

elected officials and 8 less middle and upper management positions ** than are currently retained by the City and Borough. ** The elimination of these positions will result in annual savings to the community in excess of \$950,000. ** It is anticipated that additional savings will accrue to the consolidated government as further efficiencies are identified in the future.

Separate City and Borough governments often lead to confusion and frustration among the citizenry of Ketchikan. Both the City and Borough are responsible for separate and distinct services that benefit the entire community of Ketchikan. Residents of the community often become perplexed and frustrated when attempting to determine which government is responsible for what service.

The Borough is, for example, responsible for land use regulation on an areawide basis, while the City is charged with enforcement of building codes within its boundaries. Often the two are at odds and the local resident finds himself or herself shuffling back and forth between the two entities for answers. Depending on the issue, constituents may find themselves in the position of not only having to deal with two government staffs, but two elected boards as well.

A consolidated government by its very nature will provide for a higher degree of accountability. One elected board and management staff will be responsible for exercising and providing all areawide and nonareawide powers and services within the community in as an efficient and cost-effective manner as possible. Issues of “turf” will be eliminated and residents of the community will have direct knowledge of who is responsible for satisfying constituent concerns.

The inefficiency of two governmental entities representing Ketchikan is further apparent in the community’s dealings with State and Federal agencies. While the community has formed the Ketchikan Community Legislative Liaison Committee, a non-binding organization comprised of representatives from the City of Ketchikan, City of Saxman, Ketchikan Gateway Borough and other community groups, countless issues arise which position the City’s interests in opposition to those of the Borough. One need only look to the Shoreline annexation petition submitted by the City, as well as the Borough’s subsequent response, to understand the inefficiencies and conflict of two governmental agencies representing essentially the same population. Given the decline of Southeast Alaska’s natural resource-based economy and the State’s current fiscal gap, it is incumbent upon elected and appointed officials to encourage as efficient a local government as possible and to speak with one voice when seeking State and Federal assistance.

Maximizes self government

Consolidation of the City of Ketchikan and the Ketchikan Gateway Borough proposes to create one governmental entity under a home rule form of government. Under the Alaska Constitution, a home rule form of government provides for the maximum level

of self-government. More efficient than a second-class borough, a home rule borough will enable local residents to define for themselves, under the borough Charter, which powers are exercised and how new powers may be assumed. The proposed Charter extends similar protection to service areas in that the residents will determine which powers are exercised and how new powers may be assumed.

The home rule charter is a powerful tool that customizes local government to local needs and desires. Home rule municipalities may exercise any power in any manner not specifically limited by state law. Under a home rule form of government, a municipality, through its charter, may augment or limit local government powers. By the formation of a home rule borough through consolidation of the City of Ketchikan and the Ketchikan Gateway Borough, local residents will be empowered to define for themselves which powers are to be exercised and how these powers may be assumed.

2. The boundaries of the proposed borough embrace an area and population with common interests to the maximum degree possible in accordance with Article X, § 3 of the Constitution of the State of Alaska.

The Ketchikan Gateway Borough is located near the southernmost boundary of Alaska, in the Southeast Panhandle. Comprised of 1,220 square miles of land area and 524 square miles of water area, the Borough encompasses Revillagigedo, Gravina and Pennock Islands, as well as several other smaller islets.⁸ Incorporated in 1963 as a result of the State Mandatory Borough Act, the Ketchikan Gateway Borough is the second smallest Borough in the State in geographic terms. Having an estimated [a] population of 13,548 [**13,961**], the Borough includes the Cities of Ketchikan and Saxman, as well as a number of smaller but well-defined neighborhoods located along the main road system.

Article X, Section 3 of the Alaska Constitution states that each “borough shall embrace an area and population with common interests to the maximum degree possible.” The proposed consolidation of the Ketchikan Gateway Borough and City of Ketchikan will not alter or amend the existing boundaries of the Borough. As the boundaries of the Ketchikan Gateway Borough currently embrace an area and population with common interest, consolidation of the City and Borough will also embrace an area and population with common interest.

It is recognized that the boundaries of the proposed consolidated borough do not coincide with the model boundaries of the Ketchikan Gateway Borough as established by the Local Boundary Commission. Although the model boundaries are not incorporated within this petition for consolidation, the proposal is a further step in the right direction with respect to achieving a more efficient government with the

⁸ Alaska Department of Community and Economic Development, 2003.

maximum level of self-government. The proposed consolidation should be considered as significant progress towards meeting the goal of achieving an ideal municipal boundary.

3. The population of the proposed borough is interrelated and integrated as to its social, cultural, and economic activities, and is large and stable enough to support a borough in accordance with AS 29.05.031(a)(1), 3 AAC 110.045(a), (b), (d) and 3 AAC 110.050.

The proposed consolidation will dissolve the home rule City of Ketchikan and the second class Ketchikan Gateway Borough, in order to form one consolidated home rule local government within the current boundaries of the Borough. Having approximately sixty percent of the total Borough residents, the City of Ketchikan is the most densely populated area [center] within the Borough. Other smaller but well defined neighborhoods include Waterfall, North Point Higgins, South Point Higgins, Pond Reef, [Shoreline], Forest Park, Shoup Street and Mountain Point.

Connected by a highway road system of less than 30 miles, the City of Ketchikan and other defined neighborhoods are one and the same community, interconnected and interdependent. Whether one resides outside the City as a Borough resident or inside the City as a City and Borough resident, all identify themselves as being from "Ketchikan". The area is further united by areawide education, health and utility (telephone and electric) systems. Demographic and socio-economic data collected by both the federal and state governments display uniformity in the community (see Exhibit A-3).

The population of the existing Borough is currently interrelated and integrated as to its social, cultural and economic activities and is large and stable enough to support itself in accordance with AS 29.05.031(a)(1), 3 AAC 110.045(a), (b), (d), and 3 AAC 110.050. Consolidation of the City of Ketchikan and the Ketchikan Gateway Borough will not alter the Borough boundaries and therefore will not alter the current Borough population. Consolidation of the City and Borough simply provides for a single government entity representing a population that shares a common set of social, economic and cultural interests. As previously mentioned, the formation of a home rule borough through consolidation of the City of Ketchikan and the Ketchikan Gateway Borough, will empower local residents to define for themselves which powers are to be exercised and how these powers may be assumed.

4. The boundaries of the proposed borough conform generally to natural geography and include all areas necessary for full development of municipal services in accordance with AS 29.05.031(a)(2) and 3 AAC 110.060.

Given the fact that the proposed boundaries of the home rule borough will not be altered, they will continue to conform to the natural geography of the area, and will include all land and water necessary to provide for the full development of

essential borough services on an efficient and more cost-effective level. To that end no changes in land use or ownership patterns are anticipated. Land use regulations and platting requirements are consistent throughout the Borough, including the City.

5. The economy of the area within the proposed borough includes the human and financial resources capable of providing municipal services in accordance with AS 29.05.031(a)(3) and 3 AAC 110.055. Elements of the economy specifically addressed include: land use, property values, total economic base, total personal income, resource and commercial development, anticipated functions, anticipated expenses and anticipated income of the proposed borough. The economy of the area within the proposed borough currently includes the human and financial resources capable of providing municipal services in accordance with AS 29.05.031(a)(3) and 3 AAC 110.055.

Consolidation of the City of Ketchikan and the Ketchikan Gateway Borough will not alter the Borough boundaries and therefore will not alter the current financial resources capable of providing municipal services. Consolidation of the City and Borough provides for a single government entity that is more efficient. The government structure resulting from consolidation will be significantly smaller and less costly to the community as a whole. As is discussed in the Transition Plan, the consolidated government is initially expected to have ** 8 less elected officials and 8 less middle and upper management positions ** than are currently retained by the City and Borough. The elimination of these positions will result in annual savings to the community in excess of ** \$950,000. ** It is anticipated that additional savings will accrue to the consolidated government as further efficiencies are identified in the future.

The newly formed borough will provide only those services that are currently provided to the community through existing Borough or existing City services. No new services are proposed to be provided. Some existing services enjoyed by all Borough residents, that are currently provided by the City, will become Borough services, financed on a community wide basis. These services include the following:

1. Emergency 911 Dispatch
2. Library
3. Museum
4. Civic Center
5. Mental Health and Substance Abuse
6. Hospital
7. Public Health
8. Cemetery
9. Solid Waste Disposal
10. Ports and Harbors
11. Telecommunications (borough-owned Utility)
12. Electricity (borough-owned Utility)

13. Water Service (borough-owned Utility initially to Ketchikan Service Area only)

As is discussed in Sections 7 and 8 of the Petition; as is documented in the Three-Year Annual Budget (see Exhibit F); and as is detailed in the Transition Plan (see Exhibit J), the newly formed borough will have the financial resources to provide these services. Although the consolidated [Borough] municipality will initially collect \$115,273 more in property taxes, this is solely due to the fact the municipality of Ketchikan's budget will be balanced - unlike the current spending plans of the City of Ketchikan and the Ketchikan Gateway Borough. The proposed three-year financial plan eliminates the \$1,853,920 in combined deficit spending that exists in the City's and the Borough's current budgets. This equates to \$20.97 more on a per capita basis.

Although the three-year budget plan is balanced, the Petitioner is constrained to point out that the newly elected Assembly will have the opportunity to review the first year spending plan of the consolidated [Borough] municipality. It may choose to continue deficit spending and collect no new taxes. Alternatively, the Assembly and the newly appointed management staff may elect to enact further consolidation efforts and eliminate the need for increased taxes as detailed within this petition.

Lastly, consolidation of the City and Borough will not alter the existing land use designations or property values and no change in the economic base of the community is anticipated. Resource and commercial development will only be affected to the extent that, in some instances, instead of having to deal with two independent local government entities, one consolidated borough will speak for the community. With one set of goals and objectives, working with a single local governmental agency will eliminate doubling of efforts and possible differing or opposing objectives.

Clearly, the economy of the area within the proposed borough includes the human and financial resources capable of providing municipal services in accordance with AS 29.05.031(a)(3) and 3 AAC 110.055.

6. Land, water, and air transportation facilities allow the communication and exchange necessary for the development of integrated government in accordance with AS 29.05.031(a)(4) and 3 AAC 110.045(b).

The community's communication systems are fully integrated and well developed. Telecommunication services are provided throughout the primary roaded system of the Borough. Telephone is provided by the City-owned Ketchikan Public Utilities operating as KPU Telecommunications. Cable television is furnished by GCI, Inc. [**Alaska Cable Network**], with local television access provided by CBS [**Fox Broadcasting**] affiliate KUBD [**KJMW**]. The Ketchikan Daily News is the local newspaper of general circulation in the area. Four radio stations serve the area:

KRBD-105.9FM, the local public broadcasting station, and the private stations of KFMJ-99.9FM, KGTW-106.7FM and KTKN-930AM.

The community has a well-developed transportation network that includes roads, air and ferry systems. Tongass Highway, a State constructed and maintained highway, is the backbone of the community's roaded system. Daily, year-round, jet airline service is provided by Alaska Airlines and several smaller floatplane companies provide air transportation to and from the community. The Ketchikan International Airport is owned by the State of Alaska, but operated by the Ketchikan Gateway Borough. Car-Ferry service is provided by the State of Alaska which owns and operates the Alaska Marine Highway System. The Craig-based Inter-Island Ferry Authority also operates a ferry between Ketchikan and Prince of Wales Island.

The Ketchikan Gateway Borough currently possesses the communication media and the land, water and air transportation facilities throughout its boundaries to allow the level of communication and exchange necessary for an integrated borough government. Given the fact that the proposed boundaries of the existing Ketchikan Gateway Borough will not be altered through consolidation of the Borough and City of Ketchikan, the newly formed home rule borough will continue to possess these facilities.

7. Incorporation of the proposed borough through consolidation will not deny any person the enjoyment of any civil or political right because of race, color, creed, sex or national origin in accordance with 3 AAC 110.910.

The City of Ketchikan and the Ketchikan Gateway Borough, independent municipalities governed under Alaska State Statutes, currently do not deny any person the enjoyment of any civil or political right, including voting rights, based on race, color, creed, sex, or national origin. Consolidation of the two independent entities into one home rule borough, containing the same boundaries and population as the current Borough, will not alter or deny any person the enjoyment of their civil or political rights.

EXHIBIT J

TRANSITION PLAN

This transition plan demonstrates the intent and capability to provide for an orderly, efficient and economic consolidation process within the shortest practical time following constituent approval of consolidation of the Ketchikan Gateway Borough, a second class borough, and the City of Ketchikan, a home rule city. The consolidated home rule borough shall be designated as “Ketchikan.” The transition plan addresses how the powers currently exercised by the Ketchikan Gateway Borough and the City of Ketchikan can be assumed by and delegated to the consolidated government of Ketchikan.

The plan also provides details concerning the manner in which Ketchikan **[the consolidated home rule borough]** will assume all relevant and appropriate powers, duties, rights, and functions presently exercised by the entities to be dissolved through consolidation. Additionally, it provides details concerning the manner in which the new municipality **[home rule borough]** will assume and integrate all relevant and appropriate assets and liabilities of the City of Ketchikan and the Ketchikan Gateway Borough.

In accordance with AS 29.06.150 and except as provided for within this petition, the proposed consolidated municipality **[Borough]** will succeed to all powers, duties, rights, assets and liabilities of the entities to be dissolved by consolidation. Additionally, in accordance with AS 29.06.160 and except as provided for within this petition, the ordinances, resolutions, regulations, procedures and orders of the entities dissolved through consolidation remain in force within their respective territories until superseded by the action of the consolidated Assembly **[home rule borough]**.

A. CONSULTATION WITH OFFICIALS: 3 AAC 110.900(b) requires that this transition plan be prepared in consultation with the officials of each existing borough and city proposed for consolidation. The following is a summary of the manner in which this requirement was satisfied.

Officials of the City of Ketchikan and the Ketchikan Gateway Borough were consulted during the review **[development]** of this transition plan and the petition. Drafts of the proposed charter and other informational materials were circulated for review and comment. Borough officials including the Manager, Clerk, Attorney, Finance Director **[of Administrative Services]** and the Planning Department **[Director]** were consulted during the review and rewrite **[development]** of the charter and transition plan. City officials including the Manager, Attorney, Clerk and Finance Director were consulted and participated in the review and rewrite **[preparation]** of the charter, transition plan and petition. Consultation occurred through meetings, individual interviews, requests for information and telephone inquiries.

The Ketchikan Charter Commission began weekly meetings on January 21, 2004, switching to bi-weekly meetings in mid-April. All agenda materials were forwarded to the City and Borough Managers, as well as the Clerks and Attorneys for their review and comments. These civic individuals, as well as members of the public, were invited on a regular basis to attend the Commission's meetings.

[Discussion of consolidation and consultation with City and Borough officials occurred on the following dates:]

[A joint meeting of the City Council and Borough Assembly.....]

[Community public hearings were held.....]

B. EFFECTIVE DATE: The consolidation of the Ketchikan Gateway Borough and the City of Ketchikan is contingent upon ratification by the voters. A vote on the question of consolidation is expected to occur at a special election scheduled either in late calendar year 2000 or early 2001. Consolidation and the proposed charter, included within the petition as Exhibit I, will become effective upon State certification of the election of the consolidated [Borough] municipality's Assembly.

C. POWERS AND DUTIES OF EXISTING CITY PROPOSED TO BE CONSOLIDATED:

Incorporated on August 25, 1900 the City of Ketchikan is a home rule city having legislative powers concerning matters not limited by Title 29 of the Alaska State Statutes. The City of Ketchikan may exercise any power not otherwise prohibited by law (AS 29.10.200) except that the second class Ketchikan Gateway Borough exercises mandatory areawide powers of education; assessment and collection of property, sales and transient occupancy taxes; and platting, planning, and land use regulation throughout the borough, including the City of Ketchikan.

Listed below are the powers and the duties currently exercised by the City of Ketchikan. **[In many instances powers and duties are exercised beyond the corporate limits of the City and services are provided to all residents of the Ketchikan Gateway Borough.]** Responsibility for exercising powers and duties is vested with the City government's legislative and executive branches. The legislative branch, which is comprised of the Mayor and City Council, is responsible for establishing City policies and goals. The executive branch is comprised of the offices of the City Clerk, City Attorney, and City Manager; the Human Resources Division; and the Finance Department. These offices and departments provide for the general management and oversight of the various City operations, services, and municipal assets & liabilities.

1. Public Safety: The City provides police protection and fire suppression services within its municipal boundaries. Emergency 911 dispatch is afforded to the community on **[a defacto]** an areawide basis utilizing the Police Department's

dispatch staff. Emergency medical services **[and fire/EMS dispatch]** are provided by the City within its municipal boundaries. **[and to the entire Ketchikan Gateway Borough with road access that is not presently served by the Pond Reef Fire Department.]**

The Public Safety Director **[Chief of Police and the Fire Chief]** supervise these respective departments that provide public safety services both within and outside of the City. **Funding is derived from the City's General Fund; a one percent (1%) Public Safety Sales Tax, which is used to finance operations, as well as providing for major and minor capital outlays; EMS user fees; parking fines and revenues; state assistance; and from miscellaneous charges.**

2. Library: The City owns and operates the Ketchikan Public Library, which is located in the Centennial Building. The Library serves the entire community and also contracts with the Ketchikan School Board and the State of Alaska to provide services to area schools and the University of Alaska. Based on the percentage of residents living outside of the City compared to the total population of the Borough, the City receives an annual payment from the Ketchikan Gateway Borough for library services provided to non-City residents. This payment is derived from a non-area-wide property tax, which is currently 0.93 mills. Of that, 0.92 mills is dedicated to the Ketchikan Public Library. The remaining funding is derived from the City's General Fund; a one and one-half percent (1.5%) Public Works Sales Tax, which is used to finance major and minor capital outlays; state grants; inter-municipal and state contracts; and from various other sources.

3. Museum: The City owns and operates the Tongass Historical Museum and the Totem Heritage Center. The Museum Director manages the Department's three divisions: Collections, Programs and Visitor Services. The Museum provides services to the entire Borough, as well as to many non-resident visitors. Funding of the Museum is derived from the City's General Fund; a one and one-half percent (1.5%) Public Works Sales Tax, which is used to finance major and minor capital outlays; state and federal grants; seasonal admission fees; and from various other sources.

4. Ted Ferry Civic Center: The City owns and operates the Ted Ferry Civic Center, which is a multi-purpose facility that provides accommodations for conventions, meetings, and other social, cultural and public events. Operated as a division of the Museum Department, it is available for rent and use by all Borough residents. Although fees are charged for the use of the facility, revenues derived are insufficient to cover its operating costs and must be subsidized by the City's General Fund and from a one and one-half percent (1.5%) Public Works Sales Tax, which is used to finance major and minor capital outlays.

5. Mental Health/Substance Abuse: The City owns and operates the Gateway Center for Human Services, which is a provider of mental health and substance abuse

treatment services. Gateway provides counseling, prevention and community based assistance programs for a wide range of public mental health and substance abuse needs. The programs offered by the Gateway Center for Human Services are available on a borough-wide basis. Funding is derived from the City's one percent (1%) Hospital Sales Tax; state operating and capital grants; client user fees; and from a one and one-half percent (1.5%) Public Works Sales Tax, which is used to finance major and minor capital outlays.

6. Ketchikan General Hospital/Public Health: The City owns and maintains the Ketchikan General Hospital. The premises are leased to PeaceHealth Inc., which operates the facility as a community-wide hospital. Ketchikan General Hospital and its services are available to the general public regardless of residency. **[The City is completing a \$11,400,000 renovation and additions project, in order to modernize the facility to provide improved medical services to all Borough inhabitants and to residents of southern Southeast Alaska.]** Funding of the Hospital is derived from the City's one percent (1%) Hospital Sales Tax.

The City also assists in the annual financing of the state sponsored Ketchikan Public Health Center, which provides public health and medical services to all residents of the Borough. Funding of the Ketchikan Public Health Center is derived from the City's General Fund, local contributions and state assistance.

7. Public Works: The Public Works Department, under the direction of the Public Works Director, provides the following services within the City:

a) **Public Works Engineering:** The City of Ketchikan Public Works Department currently provides engineering services not only for the divisions of the Department, but for other municipal divisions as well. The division also provides for building code enforcement within the City. Funding of the division is derived from the City's General Fund; interdivisional charges; and from a one and one-half percent (1.5%) Public Works Sales Tax, which is used to finance operations, as well as providing for major and minor capital outlays.

b) **Public Works Streets and Roads:** The City of Ketchikan Public Works Department's Streets Division currently provides for the construction and maintenance of streets and roads, bridges, sidewalks, storm drainage, culverts and street lighting. Funding of the division is derived from the City's General Fund and from a one and one-half percent (1.5%) Public Works Sales Tax, which is used to finance major and minor capital outlays.

c) **Solid Waste Collection, Disposal and Recycling:** The City of Ketchikan Public Works Department currently provides for the collection and disposal of solid waste. The City owns and operates the Solid Waste Handling and Recycling Facility (SWHRF) adjacent to Deer Mountain. Putrescible solid

waste is baled and shipped south by barge to a regional landfill in Washington State. Non-putrescible solid waste is landfilled at the SWHRF. Residential collection and disposal services are exclusively provided by the City within the City limits. Commercial service within the City is available, with non-residential customers having the option of private collection service.

The City accepts solid waste for disposal at the SWHRF on a boroughwide basis. Funding of solid waste collection and disposal is derived from mandatory residential collection and disposal fees within the City; mandatory disposal fees assessed against non-City residents; and from commercial tipping fees charged at the SWHRF. The Solid Waste Collection and Disposal Divisions of the Public Works Department are financed as a special revenue fund. Funding is also derived from state grants, which are used to finance major and minor capital outlays.

d) **Municipal Facility and Vehicle Maintenance:** The City of Ketchikan Public Works Department currently provides for facility and vehicle maintenance not only for the divisions of the Department, but for other municipal divisions as well. Funding of the Building and Garage/Warehouse Divisions is derived from the City's General Fund; inter-divisional charges; and from a one and one-half percent (1.5%) Public Works Sales Tax, which is used to finance major and minor capital outlays.

e) **Cemetery Services:** The Bayview Cemetery is owned and operated by the City of Ketchikan on a borough-wide basis. Funding is derived from user fees and from the City's General Fund.

f) **Wastewater Collection and Treatment:** The City owns and operates secondary wastewater treatment plant facilities, pump stations, collection systems and other equipment required for the collection and treatment of wastewater. Wastewater services are provided only within the boundaries of the City. Funding is derived from user fees and State grants. The Wastewater Division is financed as a special revenue fund.

8. **Port and Harbors:** The City's Port and Harbors Department operates under the direction of the Harbormaster and maintains facilities for both large and small maritime vessels. The Harbors Division maintains and operates five boat harbors and associated facilities, four of which are state owned. As a result of its extraterritorial powers two of the harbors operated by the City are located in the Borough outside of the City limits. The division is operated as a special revenue fund with expenditures paid for by revenues derived from harbor users, as well as from state and federal grants.

The Port Division operates and maintains the Port of Ketchikan primarily for use by the cruise ship industry, commercial fishing fleet, charter boat fleet and the general public. It is the only cruise ship port within the Borough and serves as a staging area for local tours throughout the entire community. The division is operated as an enterprise fund with expenditures paid for by revenues derived from Port users and land based tour operators, as well as from state and federal grants.

9. Public Utilities: The City owns and operates Ketchikan Public Utilities, which provides telecommunications and electric service to the entire Borough with the exception of remote and unpopulated areas. KPU also provides water service to an area roughly coinciding with the boundaries of the City of Ketchikan. Private water haulers purchase water from KPU for distribution to other parts of the Borough that do not have water systems operated by service areas. KPU is operated as a public utility and is regulated by the Regulatory Commission of Alaska. The City Council of the City of Ketchikan is the governing body of the Utility. [An advisory board provides input regarding daily operations and long-term goals and policies.] KPU is administered by the City Manager, who oversees its four divisions: Administration, Water, Electric and Telecommunications.

D. POWERS AND DUTIES OF EXISTING BOROUGH PROPOSED TO BE

CONSOLIDATED: Organized on September 6, 1963, the second class Ketchikan Gateway Borough exercises mandatory areawide powers of education; assessment and collection of property, sales and transient occupancy taxes; and planning, platting, and land use regulation. The Borough exercises four other permissive areawide powers and has adopted three non-areawide powers. Additional powers and duties are exercised on a service area basis. Currently twelve service areas exist within the Borough.

Listed below are the powers and duties currently exercised by the Ketchikan Gateway Borough. Responsibility for exercising both areawide and nonareawide powers is vested with the Borough government's legislative and executive branches. The legislative branch, which is comprised of the Mayor and Borough Assembly, is responsible for establishing Borough policies and goals. The executive branch is comprised of the offices of the Borough Manager, Borough Clerk, Borough Attorney, Borough Assessor and Finance Director [**of Administrative Services**], and the Department of Planning and Community Development. The executive offices are similar in purpose to those of the City of Ketchikan and provide general administrative oversight for the Ketchikan Gateway Borough.

Mandatory Areawide Powers:

1. Education: The Ketchikan Gateway Borough partially funds the Ketchikan Gateway Borough School District, which is administered by the Ketchikan Gateway Borough School Board. The School Board is comprised of seven boardmembers, who are elected at large on a borough-wide basis. A School Board President is selected

annually by the boardmembers. School District facilities include four elementary schools, one middle school and two high schools. Funding of the School District is derived from the Borough's General Fund, as well as from state and federal financial assistance.

2. Assessment and Collection of Property, Sales and Transient Occupancy Taxes:

The Ketchikan Gateway Borough collects both Borough and City taxes levied within the Borough. Taxes assessed and collected by the Borough include the following types:

- Real and Personal Property
- Consumer Sales
- Transient Occupancy
- Boat

Funding of the Administrative Services Division and the Assessment Department is derived from the Borough's General Fund.

3. Platting, Planning, and Land Use Regulation: The Ketchikan Gateway Borough exercises its land use regulation authority, including planning and platting powers, throughout the Borough including the cities of Ketchikan and Saxman. The Department of Planning and Community Development is funded through the Borough's General Fund and by user fees. The Borough Planning Commission consists of seven members appointed by the Mayor and confirmed by the Assembly. Four of the seven members are residents of the City and are recommended for appointment by the Mayor and City Council. The Commission elects a chairperson. The Borough has established land use regulations under its municipal code, which incorporate all platting and land use regulations, land use districts and subdivision and platting requirements

Permissive Areawide Powers:⁹

1. Parks and Recreation: Parks and recreation services are authorized pursuant to Title 16 of the Borough Municipal Code. The Parks and Recreation Department provides a variety of services to Borough residents. The Department operates the Borough Indoor Recreation Center (IRC), the Mike Smithers and Valley Park Pools and various parks and recreational fields throughout the community. The pre-existing City Parks and Recreation Department was assumed by the Borough as a result of a 1990 election transferring City staff and assets to the Borough, which concurrently assumed Parks and Recreation powers. The Department is funded through the Borough's General Fund; user fees; and from a one-half percent (.5%) Parks and Recreation Sales Tax, which is used to finance major and minor capital outlays.

2. Transportation: Transportation services are authorized pursuant to Title 14 of the Borough Municipal Code. The Transportation Services Department provides a variety of services to Borough residents. The Borough operates a public transit system that includes a local bus service that operates within the City and a ferry system that provides passage to and from the airport. The Department also operates the Ketchikan International Airport and terminal, which are located on Gravina Island. The Department is funded through Airport and Transit enterprise fund user fees; the Borough's General Fund; and from federal and state operating and capital grants.

Upon consolidation, it is anticipated that such powers will continue to be exercised on an areawide basis until such time as the Assembly determines otherwise.

3. Animal Control and Protection: Animal control and protection services are authorized pursuant to Title 20 of the Borough Municipal Code. The Borough provides animal control and protection services that includes a shelter and field officers. The Department enforces local animal and control ordinances and works with state agencies concerning problems related to non-domestic animals. The Department is funded through the Borough's General Fund and user fees.

4. Economic Development: Economic development services are authorized pursuant to Title 10 of the Borough Municipal Code. The Borough funds projects and services, either through direct grants or loans. The Borough **[established the Ketchikan Economic Development Authority (KEDA) in June of 1999. The Authority, which is funded through federal Economic Disaster Funds, was created, in order to undertake the following responsibilities: a)] oversees the proper administration of Title 10, Economic Development, as amended from time to time and [b)D] directs the implementation of the adopted economic development policies for the Borough. [c) Serve as members of the Borough's Overall Economic Development Program**

⁹ As a second class borough, the Ketchikan Gateway Borough has also adopted the following general government services as permissive areawide powers: voter services, alcoholic beverage hours, **[emergency disaster planning, emergency communications]** and tax increment financing.

committee.

d) Provide general direction to the KEDA staff regarding policy and procedure in the execution of the Borough's economic development program.

e) Make either a positive or negative recommendation on all applications to the Borough Assembly for economic development assistance awards.

f) Make either a positive or negative recommendation regarding updates or other changes developed by the staff for Title 10 and/or any associated resolutions.

Forward such recommendations to the Assembly for action.

g) Perform such other duties and responsibilities as may be specified or required by the Borough Assembly, the Borough Municipal Code or law.]

The Borough also funds a general grant program to assist community organizations and agencies, in order to promote economic development and community enhancement.

Non-Areawide Powers:

The Ketchikan Gateway Borough has adopted the following powers on a nonareawide basis:

1. **Sewers** (Title 17): Sewer powers are funded [in part by the nonareawide millage levy (.01 mills for FY 99-00) and service area] user fees and/or charges.

2. **Solid Waste Disposal** (Title 29): The Borough has adopted and exercises nonareawide powers for the disposal of solid waste. Non-City residents are assessed a monthly fee for the disposal of solid waste at the City's Solid Waste Recycling and Handling Facility (SWRHF). Borough residents have the option of either contracting with private collection companies to transport their solid waste to the SWRHF or may deliver it themselves.

3. **Library**: The Borough reimburses the City of Ketchikan for the Ketchikan Public Library based on the percentage of residents living outside of the City compared to the total population of the Borough. This payment is funded by the nonareawide millage levy (.92 mills of the .93 mill levy for FY 03-04).

Service Areas:

The Ketchikan Gateway Borough exercises other powers on a service area basis (AS 29.35.220). The Borough has twelve service areas and exercises the following powers within the respective service areas' jurisdictions:

[Shoreline Service Area:]

1. Ketchikan Service Area (former City, et. al.):
 - a) Police Protection
 - b) Fire Suppression
 - c) Public Works
 - d) Engineering
 - e) Streets and Roads Maintenance
 - f) Solid Waste Collection
 - ** g) Facility and Vehicle Maintenance **
2. Forest Park Service Area:
 - a) Street Construction and Maintenance.
3. Gold Nugget Service Area:
 - a) Street Construction and Maintenance.

[Mountain Point Service Area:]

4. Mud Bight Service Area:
 - a) Street Construction and Maintenance.
 - b) Water Supply, Treatment and Distribution.*

[Shoup Street Service Area:]

5. South Tongass **[Volunteer Fire Department]** Service Area:
 - a. Fire Protection.
 - b. EMS
 - c. Construction, maintenance, operation, and regulation of a water supply, treatment, and distribution system, including hydrants.
6. Waterfall Creek Service Area:
 - a) Street Construction and Maintenance.
7. Nichols View Service Area:
 - a) Street Construction and Maintenance.*
8. Deep Bay Service Area:
 - a) Street Construction and Maintenance.*
 - b) Harbor and Dock Construction, Maintenance and Operations.*
9. Long Arm Service Area:
 - a) Street Construction and Maintenance.*
 - b) Harbor and Dock Construction, Maintenance and Operations.*
10. Vallenar Bay Service Area:
 - a. Street Construction and Maintenance.*

11. North Tongass Fire and Emergency Medical Services Service Area
 - a) Fire and Emergency Medical Service

***Service currently not provided by Service Area.**

E. CHANGE IN POWERS AND DUTIES: The following is an explanation of how consolidation will affect the delivery of the current services listed in paragraphs C and D of this Transition Plan. Included is a statement concerning any new powers proposed to be exercised, as well as any existing powers proposed to be eliminated or altered. During the initial transition period following consolidation of the City of Ketchikan and the Ketchikan Gateway Borough, there will be a reconfiguration concerning how and where some services are provided, as well as regarding how they are paid for. In this context two significant changes will occur:

1. Some services that are presently exercised by the City on behalf of City and non-City residents will be transferred to the consolidated [Borough] municipality and will be provided on either an areawide or nonareawide basis.
2. One **[Three]** new service areas will be created to provide services formerly provided by the City of Ketchikan. **[The first,]** The **** Ketchikan Service Area ****, will encompass the area of the former City of Ketchikan and will provide those services previously provided by the City that are not transferred to the consolidated [Borough] municipality. **[It will also include a portion (0.51 square miles) of the former Shoreline Service Area that is to be annexed to the City effective January 1, 2001. The second, the Greater Ketchikan EMS Service Area, will encompass the Ketchikan Service Area and that portion of the former Ketchikan Gateway Borough with road access that is not presently provided emergency medical services by another entity. Its purpose is to provide emergency medical services to the Ketchikan Service Area and that portion of the former Ketchikan Gateway Borough with road access that is not presently provided emergency medical services by another entity. The third is a new Shoreline Service Area and will encompass that portion (0.41 square miles) of the former Shoreline Service Area not incorporated as part of the Ketchikan Service Area following consolidation.]**

What follows is a detailed discussion of these two issues within the context of mandatory areawide, permissive areawide, nonareawide and service area powers. Although **[all]** former City and Borough employees, excluding those of the Ketchikan Gateway Borough School District, will become employees of the consolidated [Borough] municipality, the narrative that follows details the manner in which the cost of employees and services will be apportioned to the consolidated [Borough] municipality, the existing service areas and the **[three]** new service areas to be

established as a result of consolidation.

Mandatory Areawide Powers:

Mandatory areawide powers include education; assessment and collection of property, sales and transient occupancy taxes; and platting, planning and land use regulation. The following three powers are mandatory areawide services. State law, AS 29, requires them to be provided by the consolidated [Borough] municipality.

1. Education: The Borough exercises areawide education powers as a second class borough under AS 14. The educational system is administered by the Ketchikan Gateway Borough School District. The school district operates seven schools within the area. The FY 2004-2005 **[1999-2000]** Borough mill levy provides the local contribution towards funding the School District budget of \$20.57 million, approximately one-third of the district's total spending plan. The Ketchikan Gateway Borough School District operates 145 classrooms and employs 294 permanent employees. Funding of the School District will continue to be derived from the consolidated [Borough] municipality's General Fund and from state and federal assistance.

Mandatory areawide education powers within the Borough will not be affected by consolidation. Education is currently provided by the Ketchikan Gateway Borough through the Ketchikan Gateway Borough School District, which administers the school system. Article IX of the proposed charter will not alter this structure. Because consolidation will not result in any change in the composition, apportionment, powers, or duties of the school board, this consolidation proposal will not require the election of a new school board. The Ketchikan Gateway Borough School District will continue to administer the local school system after consolidation occurs. The current practice of the Borough School Board and Borough Assembly establishing the total amount of local funding for the school system will not be changed. Borough property taxes, which support the school system, will remain the primary local funding source. The consolidation itself will not have any direct effect on the School District budget. State and federal funding or the amount of the local contribution will not be affected by consolidation. The consolidation will not alter school district staffing requirements and will not change collective bargaining agreements or retirement plans. Section 9.04 of the proposed Ketchikan **[borough]** charter contains a provision that mandates one **[twice]** yearly joint meeting **[s]** between the School Board and the Assembly.

2. Assessment and Collection of Property, Sales and Transient Occupancy Taxes: The Ketchikan Gateway Borough presently is responsible for all tax assessment and collection duties within the Borough including the City of Saxman and the City of Ketchikan. Article 10 of the proposed charter vests this authority with the consolidated [Borough] municipality and will not alter the existing structure. Taxation includes the collection of real and personal property taxes, taxes on sales, transient occupancy

taxes, automobile and boat taxes and miscellaneous fees. The process of tax collection will be unchanged by the consolidation. The Borough Finance Department **[of Administrative Services]** collects sales and property taxes, maintains financial records and manages the financial assets of the Borough. The Department of Assessment provides the assessment of all taxable real and personal property within the Borough. Both of these departments will continue their former duties under the consolidated [Borough] municipality. Existing Borough tax record systems, maps, computer files, and procedures will remain in place. Taxes and the provision of services will be more closely linked as a result of consolidation.

The City of Ketchikan has special purpose sales and property taxes, which are designated to provide specific City services. To a lesser extent these taxes will remain in effect within the Ketchikan Service Area and will continue to be collected by the consolidated municipality **[Borough]**. The taxes will be used to support only those services provided in the service area. The existing City and Borough Finance Departments **[and the Borough Department of Administrative Services]** will be integrated into one Finance Department. The Assessment Department will continue as a separate department of the consolidated [Borough] municipality. Funding of the consolidated [Borough] municipality's Finance and Assessment Departments will be derived from the consolidated **[Borough]** municipality's General Fund.

3. Platting, Planning and Land Use Regulation: Land use control, planning and platting services are currently provided by the Borough throughout the community. With the exception of building code enforcement the City of Ketchikan does not exercise land use control or planning. The Borough's platting and zoning ordinances are comprehensively applied throughout the Borough and the cities of Ketchikan and Saxman.

Planning services will be unchanged and assumed in total by the consolidated [Borough] municipality. Article VII of the proposed charter will not result in change as to how land use powers are exercised. The ordinances implementing these existing powers will not be changed as a result of the consolidation. The existing Borough Planning Commission will become the Planning Commission for the consolidated [Borough] municipality. Reappointment of Planning Commission members is not required. The Planning Commission members will remain seated through their current terms of office. The existing comprehensive plan applies to the entire Borough, including the Cities of Ketchikan and Saxman, and will not have to be revised as a result of consolidation.

Pursuant to Section 12.04(d) of the proposed charter, building code enforcement will be applied within the Ketchikan Service Area on a nonareawide basis. City building code enforcement staff will be transferred to the Borough Planning Department. This will provide a one-stop permitting service for the entire community. Building code enforcement within the Ketchikan Service Area will be **[provided through a contract**

between the consolidated Borough and the Ketchikan Service Area and funded through the service area's Special Revenue Fund.]

Existing Borough Permissive Areawide Powers:¹⁰

Current permissive areawide powers provided by the Ketchikan Gateway Borough will not be affected by the consolidation. The following permissive areawide powers will be unaffected by consolidation and will continue to be provided in the same manner and at the level of service as they were prior to consolidation:

- Parks and Recreation
- Transportation
- Animal Control
- Economic Development

Permissive Areawide Powers to be Transferred to Consolidated [Borough] municipality:

The consolidation of the City of Ketchikan and the Ketchikan Gateway Borough will result in the assumption of additional permissive areawide powers and services by the consolidated **[Borough] municipality**. The consolidated **[Borough] municipality** will provide such powers and services currently provided by the City of Ketchikan on behalf of both City and non-City residents. The assumption by the borough of a service, formerly provided by the City of Ketchikan, results in the acceptance of all the rights, powers, duties, assets, and liabilities accrued to the service by the former City of Ketchikan. Borough areawide services will be available to and paid for by all residents of the consolidated **[Borough] municipality**.

Other services currently provided by the City of Ketchikan that are not assumed by the consolidated **[Borough] municipality** on an areawide basis will be provided by the Ketchikan Service Area. The services provided within the Ketchikan Service Area will be paid for from revenues collected within that service area.

The following powers, services and facilities will be assumed by the consolidated **[Borough] municipality** from the former City of Ketchikan and will be provided on an areawide basis:

1. **Emergency 911 Dispatch:** The City currently provides emergency 911 dispatch services on an areawide basis. **[Although funded only through City's General Fund, it is a public safety benefit enjoyed by all residents of the Borough.]**

¹⁰ As a second class borough, the Ketchikan Gateway Borough has also adopted the following general government services as permissive areawide powers: voter services, alcoholic beverage hours, **[emergency disaster planning, emergency communications]** and tax increment financing. Upon consolidation, it is anticipated that such powers will continue to be exercised on an areawide basis until such time as the Assembly determines otherwise.

Following the dissolution of the City, the consolidated **[Borough] municipality** will assume emergency 911 dispatch powers on an areawide basis. This transfer will result in the assumption of the assets, properties, staff and expenses by the consolidated **[Borough] municipality**. Funding for emergency dispatch services will be derived from the consolidated **[Borough] municipality's** General Fund effective July 1, 2001, the first day of the consolidated **[Borough] municipality's** initial fiscal year.

[The consolidated municipality will contract with the City of Ketchikan Service Area for the administration of the Division.] The administration of Emergency 911 [the division], which will be provided by the Ketchikan Service Area's Police Department and will be funded through the consolidated **[Borough] municipality's** General Fund.

2. Library: The Ketchikan Public Library is funded by both the City and the Borough. Presently the Borough provides annual funding to the City for library services rendered to non-City residents. The amount is negotiated, but is based upon the percentage of residents living outside of the City compared to the total population of the Borough. Funding by the Borough is derived from the nonareawide millage rate. Following the dissolution of the City, the consolidated **[Borough] municipality** will assume library powers on an areawide basis. This transfer will result in the assumption of the assets, properties, staff and expenses by the consolidated **[Borough] municipality**. Funding for library services will be derived from the consolidated **[Borough] municipality's** General Fund; state and federal grants; and from various other sources.

Funding of the Library on an areawide basis and termination of the nonareawide mill levy for Library services will become effective July 1, 2001, the first day of the consolidated **[Borough] municipality's** initial fiscal year.

3. Museum: The City operates the Ketchikan Museum and the Totem Heritage Center. The Museum and Totem Heritage Center will be operated as an areawide service by the consolidated **[Borough] municipality**. This transfer will result in the assumption of the assets, properties, staff and expenses by the consolidated **[Borough] municipality**. ** The City also supports a Historical Commission through the City Manager's Office. The consolidated **[Borough] municipality's** organizational structure will incorporate the Commission within the Museum Department. The nominal cost of the Commission will become a part of the Museum Department's budget. ** Funding of the Museum will be derived from the consolidated **[Borough] municipality's** General Fund; state and federal grants; seasonal admission fees; and from various other sources.

Funding of the Museum on an areawide basis will become effective July 1, 2001, the first day of the consolidated **[Borough] municipality's** initial fiscal year.

4. **Ted Ferry Civic Center:** The Ted Ferry Civic Center is owned and operated by the City. Consolidation will result in ownership of the facility and its operation being assumed by the consolidated [**Borough**] municipality. [**All**] Staff, assets and liabilities will be assumed by the consolidated [**Borough**] municipality.

Effective July 1, 2001, the first day of the consolidated [**Borough**] municipality's initial fiscal year, the Ted Ferry Civic Center will be paid for on an areawide basis by the consolidated [**Borough**] municipality's General Fund and from fees it collects.

5. **Mental Health/Substance Abuse:** The City's Gateway Center for Human Services will become a responsibility of the consolidated [**Borough**] municipality as part of its permissive areawide services. The consolidated [**Borough**] municipality will assume all staff, assets and liabilities. These programs are currently funded from state and federal grants, as well as from the City's one percent (1%) Hospital Sales Tax. Financing of the Gateway Center for Human Services by the consolidated [**Borough**] municipality will be derived from the imposition of a one percent (1%) areawide Hospital Sales Tax; state and federal grants; and patient fees.

Funding of the Gateway Center for Human Services on an areawide basis; termination of the existing City's one percent (1%) Hospital Sales Tax; and the imposition of a one percent (1%) areawide Hospital Sales Tax will become effective July 1, 2001, the first day of the consolidated [**Borough**] municipality's initial fiscal year.

6. **Ketchikan General Hospital/Public Health:** Ketchikan General Hospital and the facility lease agreement with PeaceHealth Inc. will become a responsibility of the consolidated [**Borough**] municipality as part of its permissive areawide services. All assets and liabilities will be assumed by the consolidated [**Borough**] municipality. Financing of the Ketchikan General Hospital by the consolidated [**Borough**] municipality will be derived from the imposition of a one percent (1%) areawide Hospital Sales Tax.

Funding of the Ketchikan General Hospital on an areawide basis; termination of the City's existing one percent (1%) Hospital Sales Tax; and the imposition of a one percent (1%) areawide Hospital Sales Tax will become effective July 1, 2001, the first day of the consolidated [**Borough**] municipality's initial fiscal year.

The City of Ketchikan's financial support of the state sponsored **Public Health Center** will become a responsibility of the consolidated [**Borough**] municipality. Funding of the Public Health Center on an areawide basis will be derived from the consolidated [**Borough**] municipality's General Fund and will become effective July 1, 2001, the first day of the consolidated [**Borough**] municipality's initial fiscal year.

7. **Bayview Cemetery:** The Bayview Cemetery is owned and operated by the City. As a

result of the consolidation the cemetery will become the property and responsibility of the consolidated **[Borough] municipality**. The consolidated **[Borough] municipality** will assume **[all]** staff, assets and liabilities of the cemetery.

The cemetery will be provided and paid for on an areawide basis through user fees and from the consolidated **[Borough] municipality's** General Fund effective July 1, 2001, the first day of the consolidated **[Borough] municipality's** initial fiscal year.

8. Solid Waste Disposal: The disposal of garbage and solid waste will become an areawide power of the consolidated **[Borough] municipality**. Ownership and operation of the City's Solid Waste Handling and Recycling Facility (SWHRF) will be conveyed to the consolidated **[Borough] municipality**. The closed area of the landfill, which was operated by the City and used by residents throughout the Borough, will become borough owned. City Public Works Department staff, who operate the SWHRF, will become employees of the consolidated **[Borough] municipality**. The consolidated **[Borough] municipality** will assume all staff, assets and liabilities of the SWHRF. Monthly collection and disposal charges assessed against City residents; monthly disposal charges assessed against non-City residents; and commercial tipping fees currently fund the Solid Waste Recycling and Handling Facility.

Following consolidation residents of the Ketchikan Service Area and non-City residents will continue to pay monthly solid waste disposal charges as established by the Assembly. Commercial users will pay a per-use-tipping fee as they did before consolidation. Solid waste disposal will be operated by the consolidated **[Borough] municipality** as a special revenue fund with revenues covering the cost of services. **[No property tax increment will be required to provide the service.]**

[Although Solid Waste Disposal will continue to be provided on an areawide basis, the consolidated municipality will contract with the Ketchikan Service Area for the administration of the division. The administration of the division, which will be undertaken by the Ketchikan Service Area's Public Works Engineering Division, will be funded through the consolidated municipality's solid waste user fees.]

Funding of the Solid Waste Disposal Division on an areawide basis will become effective July 1, 2001, the first day of the consolidated **[Borough] municipality's** initial fiscal year.

9. Port and Harbors: The small boat harbors, marine facilities and deep water port that are now owned and/or operated by the City will become the property of and operated by the consolidated **[Borough] municipality**. The staff, assets and liabilities of the City owned facilities will be transferred to the consolidated **[Borough] municipality**. The City of Saxman will continue to provide enhanced port facilities within its boundary.

Funding of the City's Port and Harbors Divisions on an enterprise fund and a ** special revenue fund ** basis, respectively, will remain the same under the consolidated [**Borough**] municipality.

Funding of the Port and Harbors Division on an areawide basis will become effective July 1, 2001, the first day of the consolidated [**Borough**] municipality's initial fiscal year.

10. Municipal Utilities: Ketchikan Public Utilities (KPU) is a public utility owned by the City of Ketchikan. KPU currently provides electricity and local and in-state telephone service throughout its certificated area (most of the populated or developed areas of the Borough). It also provides water service to the City. The consolidation will transfer ownership of the Utility and its services to the consolidated [**Borough**] municipality. All assets, liabilities, property and ** employees ** will be transferred to the Borough. The Utility is operated as an enterprise fund and will continue to do so after consolidation.

KPU is currently administered by the City Council of Ketchikan, who are elected from the residents of the City. The City Council sets rates and the terms of service. Following consolidation the Utility will be administered by the Assembly of the consolidated [**Borough**] municipality. The current governing body of KPU, the Ketchikan City Council, is elected only from the residents of the City. Following consolidation the governing body of KPU will be elected from the residents of the consolidated [**Borough**] municipality. This will allow a broader-based area representation of the governing body of the Utility.

Pursuant to Section 8.02 (a) of the proposed charter, following consolidation the Assembly may by ordinance establish an appointed utility board and delegate to that board such powers and responsibilities as it deems appropriate.

The provision of electricity, telephone and water service by the Utility will not be affected by the consolidation. These services will continue to be provided within the Utility's certificated area as established by the Regulatory Commission of Alaska.

Although the KPU Water Division will be a division of the consolidated [**Borough**] municipality Utility, it will initially provide service only within its ** certificated area ** (that portion of the Ketchikan Service Area encompassing the former City of Ketchikan). The existing Borough service areas that provide water service will continue to do so within their respective boundaries on a service area basis.

Non-areawide Powers:

1. Wastewater Collection, Treatment and Discharge: The Borough currently exercises nonareawide powers regarding Wastewater Collection, Treatment and Discharge. Such powers shall continue to be provided on a nonareawide basis following consolidation and the cost to provide services will be assessed against users on a system to system basis. The Wastewater Division of the City of Ketchikan will be transferred to the consolidated [**Borough**] municipality. The functions, assets, equipment and liabilities of the former City Public Works Department's Wastewater Division will be transferred to the consolidated [**Borough**] municipality. The City Public Works Department staff that operates the wastewater plant and maintains the collection system will become employees of the consolidated [**Borough**] municipality who will provide services only within the Ketchikan Wastewater Collection, Treatment and Discharge System Area.

The power and services will be exercised on a nonareawide basis and will be paid for by revenues raised through user fees.

Section 12.04(f) of the proposed charter grants to the Assembly the continued power to terminate or alter service areas without approval of the voters, in order to provide sanitary sewage service on any basis determined by the Assembly. Consolidation will combine the provision of sanitary sewer services of the former City and Borough into a single nonareawide function. This activity will be accounted for in a separate special revenue fund supported by user fees.

2. Building Code Enforcement: The City of Ketchikan currently exercises building code enforcement within its boundaries. Following consolidation building code enforcement powers will be authorized on a nonareawide basis. Section 12.04(d) of the proposed charter provides that building code enforcement powers will initially be exercised in the Ketchikan Service Area only.

Existing Service Areas:

[With the exception of the Shoreline Service Area, which is to be annexed to the City of Ketchikan prior to a vote on consolidation,] The existing borough service areas will not be affected by consolidation. The services provided by these service areas and the level of services will not be altered by consolidation. None of the boundaries of the service areas will be changed. The method of funding the services for each service area will also remain the same.

Service Area To Be Established:

1. **Ketchikan Service Area:** A new service area will be created to encompass the area of the former City of Ketchikan. It shall be designated as the "Ketchikan Service Area." A legal description and map of the Ketchikan Service Area are contained in Exhibits E-1A(1) and E-2A(1). This service area will provide those services that were provided by the former City of Ketchikan that will not be transferred to the consolidated [Borough] municipality. All services provided by the former City will be provided either by the borough to all residents or through the Ketchikan Service Area to its residents. No service formerly provided in the City will be discontinued.

Effective July 1, 2001, the first day of the Ketchikan Service Area's initial fiscal year, real and personal property taxes assessed by the former City of Ketchikan will be terminated. A 2.80 mill property tax levy will be assessed on a service area basis. Revenues derived from this property tax levy will be accounted for in the Ketchikan Service Area's Special Revenue Fund.

Effective July 1, 2001, the first day of the Ketchikan Service Area's initial fiscal year, sales taxes assessed by the former City of Ketchikan will be terminated. A one percent (1%) Hospital Sales Tax will be assessed on an areawide basis. The City's former Public Safety and Public Works Sales Taxes (1.0% and 1.5% respectively) will be terminated and will be replaced with 1.0% and 1.5% Ketchikan Service Area Public Safety and Public Works Sales Taxes. Revenues derived from this sales tax will be accounted for in the Ketchikan Service Area's Special Revenue Fund.

The following services will be provided by and only in the Ketchikan Service Area:

a) **Police:** The proposed charter for the consolidated [Borough] municipality in Section 12.03 (a) limits the establishment and operation of police departments to service areas. No existing service area currently provides police services. This situation will change as a result of consolidation. Police services for the former City of Ketchikan will become a service of the Ketchikan Service Area. The functions, equipment, assets and liabilities of the City Police Department, excluding emergency 911 dispatch, will be transferred to the Ketchikan Service Area. The City Police will become consolidated [Borough] municipality employees, who provide a service, police protection, only within the Ketchikan Service Area and will be paid for by the service area.

The Alaska State Troopers will be the primary law enforcement agency outside the Ketchikan Service Area. Any mutual aid agreements will not be affected and remain in force. The provision of police services will be paid for from the Special Revenue Fund of the Ketchikan Service Area.

Funding of the Police Department on a service area basis; termination of the existing City's one percent (1%) Public Safety Sales Tax; and imposition of a one percent (1%) Ketchikan Service Area Public Safety Sales Tax will become effective July 1, 2001, the first day of the service area's initial fiscal year.

b) **Fire Suppression:** The proposed charter for the consolidated [**Borough**] municipality in Section 12.02 (a) limits the establishment and operation of fire departments to service areas. Not all fire service areas will have the same level of service. The existing service areas that provide fire protection will be unchanged by consolidation.

Following consolidation all assets and liabilities of the former City Fire Department will remain with the Ketchikan Service Area. The City Fire Suppression and Emergency Medical Services [**and Emergency Dispatch**] components of the former City Fire Department are integrated to the extent that [**one or more of the divisions**] they could be irreparably harmed if segregation of the services were to be attempted. The Ketchikan Service Area will be responsible for fire suppression within its borders. City firefighters will become, as with the Police, consolidated [**Borough**] municipality employees who will provide a service only to the Ketchikan Service Area and will be paid for by the service area. Any mutual aid agreements will not be affected.

Fire suppression services will be paid for by the Ketchikan Service Area's Special Revenue Fund. Funding of the Fire Suppression Division on a service area basis; termination of the existing City's one percent (1%) Public Safety Sales Tax; and imposition of a one percent (1%) Ketchikan Service Area Public Safety Sales Tax will become effective July 1, 2001, the first day of the service area's initial fiscal year.

The Ketchikan Service Area will provide, on a service area basis, emergency medical services to the [**Greater**] Ketchikan [**EMS**] Service Area. [**which includes the Ketchikan Service Area.**]

c) **Public Works Engineering:** The City of Ketchikan Public Works Division currently provides engineering services not only for the divisions of the Department, but for other municipal divisions as well. Following consolidation all assets and liabilities of the former City Public Works Department's Engineering Division will remain with the Ketchikan Service Area. Engineering staff will become employees of the consolidated [**Borough**] municipality who provide engineering services only within the Ketchikan Service Area and will be paid for by the service area. The consolidated [**Borough**] municipality will contract with the Ketchikan Service Area for engineering services as required on an areawide or nonareawide basis.

Engineering services will be paid for by the Ketchikan Service Area's **Special Revenue Fund.** Funding of the Public Works Engineering Division on a service area basis; termination of the existing City's one and one-half percent (1.5%) Public Works Sales Tax; and imposition of a one and one-half percent (1.5%) Ketchikan Service Area Public Works Sales Tax will become effective July 1, 2001, the first day of the service area's initial fiscal year.

Building code enforcement of the former City Public Works Department's Engineering Division will become a function of the consolidated [Borough] municipality. The services will be provided only within the Ketchikan Service Area on a nonareawide basis and will be funded through the service area's Special Revenue Fund. Code enforcement staff will be located within the borough Planning Department and will be paid for through a contract between the Ketchikan Service Area and the consolidated [Borough] municipality.

d) **Public Works Streets and Roads:** The operation of the former Public Works Department's Streets Division including street and road construction and maintenance, bridges, sidewalks, storm drainage, culverts and street lighting will be transferred to the Ketchikan Service Area. The equipment, facilities, assets and liabilities of the former division will be transferred to the Ketchikan Service Area. Division staff will become employees of the consolidated [**Borough**] municipality who provide street and road services only within the Ketchikan Service Area and will be paid for by the service area. Street and road services will be paid for by the Ketchikan Service Area's ** Special Revenue Fund.**

Funding of the Public Works Streets Division on a service area basis; termination of the existing City's one and one-half percent (1.5%) Public Works Sales Tax; and imposition of a one and one-half percent (1.5%) Ketchikan Service Area Public Works Sales Tax will become effective July 1, 2001, the first day of the service area's initial fiscal year.

a. **Public Works Solid Waste Collection:** The City of Ketchikan Public Works Department currently provides for the collection of garbage and solid waste. The Ketchikan Service Area will provide for the collection of garbage and solid waste within the former City of Ketchikan. The functions, assets, equipment and liabilities of the City's former Solid Waste Collection Division within the Public Works Department will be transferred to the Ketchikan Service Area. Division staff will become employees of the consolidated [**Borough**] municipality, providing solid waste collection services only within the Ketchikan Service Area and will be paid for by the service area.

The collection of solid waste in the service area will be paid for from residential

and commercial collection fees remitted by users in the Ketchikan Service Area.

Although solid waste collection will be provided on a service area basis, the Ketchikan Service Area will contract with the consolidated [**Borough**] municipality for the administration of the division. The administration of the division, which will be undertaken by the consolidated [**Borough**] municipality's Solid Waste Disposal Division, will be funded through user fees of the Ketchikan Service Area.

****f) Public Works Facility and Vehicle Maintenance:** The operation of the former Public Works Department's Building and Garage/Warehouse Divisions will be transferred to the Ketchikan Service Area. The equipment, facilities, assets and liabilities of the former divisions will be transferred to the Ketchikan Service Area. Division staff will become employees of the consolidated [**Borough**] municipality, providing facility and vehicle maintenance services only within the Ketchikan Service Area and will be paid for by the service area. Facility and vehicle maintenance will be paid for by the Ketchikan Service Area's Special Revenue Fund and through inter-divisional charges. Funding facility and vehicle maintenance on a service area basis; termination of the existing City's one and one-half percent (1.5%) Public Works Sales Tax; and imposition of a one and one-half percent (1.5%) Ketchikan Service Area Public Works Sales Tax will become effective July 1, 2001, the first day of the service area's initial fiscal year. **

[2. **Greater Ketchikan EMS Service Area:** A second new service area will be established to provide emergency medical services and emergency dispatch to the Ketchikan Service Area and to that portion of the former Ketchikan Gateway Borough with road access that is presently not provided emergency medical services by another entity.³ A legal description and map of the Greater Ketchikan EMS Service Area are contained in Exhibits E-1A(2) and E-2A(2).

³ In the event that the emergency medical services currently provided outside the Greater Ketchikan EMS Service Area cease to function, Section 12.07 of the charter allows for the expansion of the service area's boundaries.

Effective July 1, 2001, the first day of the Greater Ketchikan EMS Service Area's initial fiscal year, real and personal property taxes will be assessed at the rate of 0.80 mills. Revenues derived from this property tax levy will be accounted for in the Greater Ketchikan EMS Service Area's Special Revenue Fund.

The following services will be provided by and only in the Greater Ketchikan EMS Service Area:

- a) **Emergency Medical Services:** Pursuant to Section 12.07 of the proposed charter, emergency medical services previously provided by the City of Ketchikan Fire Department will be provided on a service area basis by the Ketchikan Service Area within its borders and to those areas of the borough with road access where no emergency medical services are provided by another entity. The assets, liabilities, properties, and staff of the former City of Ketchikan Fire Department will remain with the Ketchikan Service Area. A new service area will be established and designated as the "Greater Ketchikan EMS Service Area."

The two new service areas will enter into a contract by which the Ketchikan Service Area will become the

provider of emergency medical services including administration. Funding will be derived from the Greater Ketchikan EMS Service Area's Special Revenue Fund effective July 1, 2001, the first day of the Greater Ketchikan EMS Service Area's initial fiscal year.

3. **Shoreline Service Area:** A third new service area will be created to incorporate a portion of the existing Shoreline Service Area, which is to be annexed in its entirety to the City of Ketchikan effective January 1, 2001. It shall be designated as the "Shoreline Service Area" and it will encompass that portion (0.41 square miles) of the former Shoreline Service Area not incorporated as part of the Ketchikan Service Area following consolidation. A legal description and map of the Ketchikan Service Area are contained in Exhibits E-1A(3) and E-2A(3). This service area will provide those services that currently are provided by the existing Shoreline Service Area and that will not be transferred to the consolidated [Borough] municipality.

Effective July 1, 2001, the first day of the Shoreline Service Area's initial fiscal year, real and personal property taxes will be assessed at the rate of 1.00 mills. Revenues derived from this property tax levy will be accounted for in the Shoreline Service Area's Special Revenue Fund.

Effective July 1, 2001, the first day of the Shoreline Service Area's initial fiscal year, a two and one-half percent (2.5%) Fire, Roads and Security Sales Tax will be assessed on a service area basis. Revenues derived from this sales tax will be accounted for in the Shoreline Service Area's Special Revenue Fund.

The following services will be authorized by and only in the Shoreline Service Area:

- a) Fire Protection
- b) Water Supply, Treatment and Distribution*
- c) Construction, Operation and Maintenance of Roads*
- d) General Property Security Services*

*Service currently authorized but not exercised by the existing Shoreline Service Area.]

Summary of Services:

Existing Borough Areawide Services Unaffected by Consolidation:

- 1. Education
- 2. Assessment and Collection of Property, Sales and Transient Occupancy Taxes
- 3. Platting, Planning, and Land Use Regulation
- 4. Animal Control (Ketchikan Gateway Borough Title 20)
- 5. Economic Development (Ketchikan Gateway Borough Title 10)
- 6. Public Transportation (Ketchikan Gateway Borough Title 14)
- 7. Parks and Recreation (Ketchikan Gateway Borough Title 16)

Existing City Services That Become Borough Areawide:

- 1. Emergency 911 Dispatch
- 2. Library
- 3. Museum
- 4. Civic Center
- 5. Mental Health and Substance Abuse
- 6. Hospital

7. Public Health
8. Cemetery
9. Solid Waste Disposal
10. Port and Harbors

Utility Powers Required by Charter:

1. Electricity (borough-owned Utility)
2. Telecommunications (borough-owned Utility)
3. Water Service (borough-owned Utility initially to that portion of the Ketchikan Service Area encompassing the former City of Ketchikan only)

Non-Areawide Powers Required by Charter:

1. Wastewater Collection, Treatment and Discharge
2. Building Code Enforcement (initially to that portion of the Ketchikan Service Area encompassing the former City of Ketchikan only)

Services Provided by the Ketchikan Service Area (Former City of Ketchikan):

1. Police Protection
2. Fire Suppression
3. Public Works Engineering
4. Public Works Streets and Roads
5. Public Works Solid Waste Collection
6. ** Public Works Facility and Vehicle Maintenance **
7. Public Works Wastewater Collection and Treatment

[Services Provided by the Greater Ketchikan EMS Service Area:

1. Emergency Medical Services

Services Provided by the Shoreline Service Area:

1. Fire Protection
2. Water Supply, Treatment and Distribution*
3. Construction, Operation and Maintenance of Roads*
4. General Property Security Services*

Service Area Powers Provided Other Than by the Ketchikan Service Area, the Shoreline Service Area or the Greater Ketchikan EMS Service Area:

See Exhibit E-3.]

F. SCHEDULE FOR INTEGRATION OF ASSETS, POWERS AND DUTIES:

The following is the planned schedule for the integration of powers and duties of the predecessor municipalities. All time periods mentioned in this section refer to the

time period following the effective date of the consolidation. This is the date the State certifies the election of the consolidated [**Borough**] municipality's Assembly.

1. **Existing Assets, Obligations and Contracts:** All rights, titles, actions, suits, franchises, contracts, assets and liabilities and all civil, criminal or administrative proceedings will continue unaffected by the ratification of the consolidation. The consolidated [**Borough**] municipality will become the legal successor to the former City and Borough governments and shall succeed to all assets and liabilities of the former governments. The consolidated municipality of Ketchikan will honor all existing contracts and other obligations until their terms expire or are modified by the Assembly.

2. **Public Notice:** Within thirty days of the effective date of consolidation, the consolidated [**Borough**] municipality shall publish public notice and extensively distribute such notice to governmental entities, service areas and appropriate financial institutions regarding the formation of the municipality of Ketchikan and its succession to the assets, powers, duties and liabilities of the former governments.

3. **Municipal Ordinances:** Ordinances, rules, resolutions, procedures, and orders in effect at the time of the consolidation remain in effect until, or if, superseded by the action of the consolidated [**Borough**] municipality. The City of Ketchikan and Ketchikan Gateway Borough each have municipal laws or codes, which govern the activities of the two separate governments. All ordinances, resolutions, regulations, orders and rules in effect in the former governments will continue in full force and effect to the extent they are consistent with the new charter of the consolidated [**Borough**] municipality.

In some cases, such as planning, subdivisions and zoning, the Borough ordinances govern the entire area and no conflict is possible. The former governments have had a separation of powers and the existing municipal laws have coexisted side by side for a number of years. This separation of responsibility has resulted in very little duplication in the codes between the two former governments.

The consolidation will not necessitate immediate drafting of a new municipal code. In a few cases there may be areas where there is duplication or a difference in interpretation between the codes. During the two-year transition period, or until superseded by newly adopted law, the Mayor, in consultation with the Manager and Law Department, will review both former municipal codes in the event of duplication or conflict and designate which code or interpretation applies. The designation is effective immediately and will be communicated to the Assembly. The designation is approved unless the Assembly, within thirty days, adopts a contrary interpretation by resolution. The consolidated [**Borough**] municipality Assembly may amend an existing ordinance or adopt a new ordinance to address specific needs or conflicts.

Not later than twenty-four months following consolidation, the Assembly shall enact a new code of ordinances. This action shall repeal all ordinances of the former governments not included in the code.

4. **Service Areas:** Prior to January 1, 2001 there will have existed ten **[twelve]** service areas that provided a variety of local government services. There will be no interruption of services in the existing service areas due to the consolidation. All of these pre-existing service areas will remain in effect and operation after consolidation. No boundary change or change to the powers or duties of these pre-existing service areas will occur as a result of the consolidation. The composition of the service area boards will not be affected by consolidation. There is no charter or transition plan requirement for the election or new appointment to any service area board. The existing service area boards will continue through their terms under pre-existing borough law. All assets and liabilities of the existing service areas will be transferred upon certification of the election of the consolidation proposition.

One **[Three]** new service areas will be formed as a result of the consolidation. The Ketchikan Service Area will be a multipurpose service provider and provide services of the former City of Ketchikan not transferred to the consolidated **[Borough]** municipality. The new Assembly for the consolidated **[Borough]** municipality will be the governing board for the Ketchikan Service Area unless the Assembly determines to administer this service area through a service area board or other means. A future service area administrative board may be elected from within the service area or appointed by the Assembly. The Ketchikan Service Area will be created by the certification of the election of the consolidation proposition.

[The Greater Ketchikan EMS Service Area will be a provider of emergency medical services and dispatch to the Ketchikan Service Area and to that portion of the former Ketchikan Gateway Borough with road access that is not presently provided emergency medical services. The new Assembly for the consolidated Borough will be the governing board for the Greater Ketchikan EMS Service Area unless the Assembly determines to administer this service area through a service area board or other means. A future service area administrative board may be elected from within the service area or appointed by the Assembly. The Greater Ketchikan EMS Service Area will be created by the certification of the election of the consolidation proposition.]

A new Shoreline Service Area will be multipurpose service provider and provide services of the existing Shoreline Service Area that are not transferred to the consolidated Borough. The Shoreline Service Area will be created by the certification of the election of the consolidation proposition. A new service area board will be appointed by the new Assembly of the consolidated Borough.]

5. **Borough and City Employees:** Employees of the former City or Borough governments will become employees of the consolidated Ketchikan. Most employee positions, other than those assigned to the consolidated **[Borough] municipality** government's executive branch, will be unaffected by the consolidation (see Exhibit J-8). Almost all of the duplication occurs at the appointed upper level of government. Where duplication exists the borough Assembly will determine which executive level (appointed) employees will be retained. Non-appointed employees whose positions are eliminated by the plan of organization will be eligible for reassignment to available positions for which they are qualified. A number of the appointed executive employees have employment contracts with their respective governments. These employee contracts contain provisions for early termination. Any contract provisions for early termination will become the responsibility of the consolidated **[Borough] municipality**.

It is not intended that consolidation will change or diminish pension plans, retirement plans and other benefits for current employees under collective bargaining agreements, personnel rules, or other legal or contractual provisions, in effect on the date of ratification of the consolidation. The consolidation of the City and the Borough will, however, affect existing Public Employees Retirement System agreements with the State of Alaska and 218 agreements with the Federal Social Security Administration. The consolidation will, in essence, terminate both agreements and require the municipality of Ketchikan to enter into new agreements if it desires to participate in the Public Employees Retirement System (the "PERS") and the Federal Social Security System. The consolidation will not affect participation in the Teachers Retirement System (the "TRS") because participation is mandated. As a result, there are no agreements or decisions required on the part of the municipality of Ketchikan regarding participation in TRS.

The agreement to participate in PERS should be in place prior to the election of the new Assembly, the effective date of the dissolution of the City and the Borough and the establishment of the municipality of Ketchikan. The new agreement should be fashioned in a manner that incorporates the terms and conditions of the agreements the City and Borough currently have with the State. Failure to structure the new agreement in this manner will result in all employees of the City and Borough vesting upon the dissolution of the City and the Borough. This will have the effect of needlessly increasing the pension benefit obligation of the municipality of Ketchikan.

The municipality of Ketchikan must also enter into a new 218 agreement with the Federal Social Security Administration if it wants to allow employees that are enrolled in qualified plans to participate in the Federal Social Security System. Elective participation only pertains to the retirement program offered under Social Security. Participation in the Medicare program is mandatory for all employers and employees. Since the municipality of Ketchikan is expected to continue to participate in qualified plans such as the PERS and union-sponsored plans, it will not be required to participate in Social Security. Employees participating in the TRS are precluded by

law from participating in Social Security. Only employees, such as temporary employees, not covered by a qualified plan would be subject to Social Security. A 218 agreement is not required for these employees to participate in Social Security. The municipality of Ketchikan can, at any time, enter into a new 218 agreement if it wants to permit employees that are enrolled in a qualified plan to participate in Social Security. However, if a new agreement is not in place at the time that the employees of the City and the Borough become employees of the municipality of Ketchikan, there will be a break in service which may impact the retirement benefits the employees will receive from Social Security. It is permissible to back-date the agreement in order to avoid a break in service, but a payment of back taxes will be required.

The three-year budget and financial plan included in the petition to consolidate the City and the Borough was predicated on the municipality of Ketchikan continuing to participate in PERS, TRS and union retirement plans and entering into a new 218 agreement with the Federal Social Security Administration.

Existing union contracts will be inherited by the consolidated [**Borough**] municipality. Unionized employees in the City and the Borough are represented by different collective bargaining organizations. The re-negotiation of new union contracts or employee votes to change representation are not necessary for consolidation. Section 4 of the Public Employees Relations Act states that the Act “is applicable to organized boroughs and political subdivisions of the state, home rule or otherwise, unless the legislative body of the political subdivision, by ordinance or resolution, rejects having its provisions apply.”

The City and its 306 employees are currently exempt from PERA. The Borough and its 113 employees are currently subject to the provisions of PERA. It is anticipated that this issue will be the subject of immediate consideration by the consolidated [**Borough**] municipality’s Assembly, management and legal counsel.

6. **Executive Organization:** The greatest amount of duplication between the two former governments exists at the elected and appointed levels of the legislative and executive branches. These positions serve under term limits, contract, or at the pleasure of the Borough Assembly and/or chief administrative officer. Some of the support staff such as assistants and secretaries to these appointed positions are also exempt. Duplicated positions in the former City and Borough governments will be integrated. The following executive offices are duplicated and will be combined by the consolidation:

Borough Assembly and City Council
Borough Manager and City Manager
Borough Clerk and City Clerk
Borough Attorney and City Attorney
Borough Finance Director and City Finance Officer

During the period between the ratification of the consolidation by the voters and the first meeting of the new Assembly, applications will be accepted at either the City or Borough offices for appointment to any of the above executive positions. Applications will also be accepted for non-classified support staff. At the first meeting of the new Assembly, it is anticipated that a process for making appointments to the executive positions will be considered. Once appointed, the management of the consolidated **[Borough] municipality** will select their support staff and assume control of their respective departments. Those not appointed will be terminated.

Funding of the consolidated **[Borough] municipality's** legislative and executive branches will be derived from the consolidated **[Borough] municipality's** General Fund and inter-divisional charges assessed against Ketchikan Public Utilities and other funds effective July 1, 2001, the first day of the consolidated **[Borough] municipality's** initial fiscal year. The City of Ketchikan currently assesses Ketchikan Public Utilities for services rendered by the legislative and executive branches on the Utility's behalf. It is anticipated that the consolidated **[Borough] municipality** will initially assess the Utility the same charges for services rendered:

- Assembly of the Municipality 50%
- Attorney of the Municipality 37%
- Clerk of the Municipality 40%
- Manager of the Municipality 50%

Finance:

- General Accounting 52%
- Data Processing 50%
- Office Services 25%

Human Resources 33%

Other funds will also pay for services of the consolidated **[Borough] municipality's** legislative and executive branches. It is anticipated that these charges will range between three and five percent.

7. **Executive Plan:** Not later than thirty days after the Manager's confirmation by the Assembly, the Manager will submit to the Assembly a detailed plan of organization of the administrative branch. A proposed executive staffing plan is attached as Exhibit J-9. The plan submitted by the Manager will combine the overlapping services of the former separate City and Borough administrations. The proposed plan will become law thirty days after it is submitted unless it is either adopted sooner with or without amendment, or rejected by the Assembly. If the proposed plan is rejected, the Manager shall submit an alternate plan to the Assembly within fifteen days of the rejection. If, within thirty days of submission of the alternate plan, the Assembly has adopted no such plan of organization, the alternate proposal submitted by the Manager becomes law. All pre-existing executive departments will remain in

existence until the Manager's executive plan takes effect.

8. **Budget Transition:** The City of Ketchikan and the Ketchikan Gateway Borough operate on different fiscal years. The City fiscal year begins on January 1 and ends December 31. The Borough fiscal year coincides with the State fiscal year from July 1 to June 30. The proposed charter requires a July to end of June fiscal year. In order to consolidate the financial operations of the two former governments, the two fiscal years will need to be brought into synchronization. The consolidated **[Borough] municipality** will inherit the budgets of the former governments of the Ketchikan Gateway Borough and City of Ketchikan. The consolidated municipality of Ketchikan will operate under these combined budgets until the new Assembly adopts the first budget of the consolidated **[Borough] municipality**.

The Manager, in consultation with the Finance Officer, will, prior to the expiration date of the annual budget of the former Ketchikan Gateway Borough, prepare a proposed budget that will bring the consolidated **[Borough] municipality** into a July 1 to June 30 fiscal year. The proposed budget will be submitted to the Assembly for approval and meet the requirements of the proposed charter Sections 10.02 (b) through (e).

The vote on the question of consolidation is expected to take place by either the fall of 2000 or early in 2001. The final vote on the consolidation to elect a new Assembly is expected to take place sometime between February and April of 2001. As a result, the City will be just completing a fiscal year or will be one or two months into its new fiscal year. The borough will be at the mid-point or will be one or two months past the mid-point of its fiscal year. The two-month to four-month period between the first meeting of the new Assembly and the end of the former Borough fiscal year will provide sufficient time to formulate and adopt a budget for the consolidated **[Borough] municipality**. The first budget of the consolidated **[Borough] municipality** may be for longer or shorter than a twelve-month period, in order to bring the financial systems of the dissolved municipalities into conformance with the consolidated **[Borough] municipality's** fiscal year.

9. **Insurance:** The City and the Borough presently carry general liability and other insurance coverage through different carriers. The transition to a consolidated government will not necessarily require a change in insurance carriers. The transition to a new government with regard to insurance coverage will be simplified by the fact that the Ketchikan Gateway Borough and the City of Ketchikan presently retain the same broker to secure such coverage.

10. **Taxation:** Local taxes are currently collected by the Borough. The collection of local taxes by the borough will not be affected by consolidation. The distribution of these taxes will change. The Ketchikan **[and Greater Ketchikan EMS]** Service Areas will have their real and personal property tax dedicated to providing services in the service areas. The consolidated **[Borough] municipality** will have its real and

personal property tax dedicated to providing services on an areawide basis.

In accordance with AS 29.45.240(b), the consolidated [**Borough**] municipality will set the property tax levy on or before June 15, 2001. The property tax levy will be based on the assessment roll certified by the Assembly of the consolidated [**Borough**] municipality in May 2001. The assessment roll will include the assessed values of all real and business personal property located within the former Ketchikan Gateway Borough as of January 1, 2001. The assessed values of the new service areas created as a result of the consolidation will also be based on the assessment roll certified in May 2001.

Paragraph (b) of Section 16.06 of the proposed charter of the consolidated [**Borough**] municipality obligates the Assembly, within one year of the first election under the charter, to “apply the levy of the former City of Ketchikan’s one percent (1%) hospital and other purposes sales tax on an areawide basis throughout the municipality with the revenues from the areawide levy being appropriated for the municipality. The ratification requirement of Section 10.05(b) shall not apply to this one percent areawide levy. The remaining two-and-one-half percent (2 1/2%) of the former City of Ketchikan’s sales tax shall be appropriated for the Ketchikan Service Area. Sales tax levies required by this section shall remain in effect until changed as provided in this Charter.” The express intent of this provision is to permit the Assembly to adjust the City of Ketchikan’s existing one percent Hospital sales and use tax, in order to fund existing services on an areawide basis. The provision is not intended to grant the Assembly the ability to levy any new sales and use taxes. The former City of Ketchikan’s one percent (1%) Hospital Sales Tax will be terminated effective July 1, 2001, the first day of the consolidated [**Borough**] municipality’s initial fiscal year. Concurrently a one percent (1%) areawide Hospital Sales Tax will be assessed as a borough-wide sales tax to fund the consolidated [**Borough**] municipality’s areawide Hospital and Mental Health/Substance Abuse powers.

Effective July 1, 2001 the former City of Ketchikan’s one percent (1%) Public Safety Sales Tax and one and one-half percent (1.5%) Public Works Sales Tax will be terminated and replaced by a Ketchikan Service Area one percent (1%) Public Safety and a one and one-half percent (1.5%) Public Works Sales Tax, in order to fund services provided by the Ketchikan Service Area.

Effective July 1, 2001 the City’s six percent (6.0%) and the Borough’s four percent (4.0%) transient occupancy tax will be terminated. Transient Occupancy Taxes will be assessed by the consolidated [**Borough**] municipality on an areawide basis at the rate of six percent (6.0%) effective July 1, 2001, the first day of the consolidated [**Borough**] municipality’s initial fiscal year.

G. IDENTIFICATION OF CITY DEBT: The following is a list of the long-term debt of the

City, that is proposed to be dissolved through consolidation:

Bond Issue, Principal Amount, Annual Payment, Date When Fully Paid

City of Ketchikan, General Obligation Bonds

1986 Series A,	\$ 2,005,000	\$ 572,000 - 584,000	2003
1994 Series Port,	\$ 2,880,000	\$ 284,000 - 299,900	2013
1997 Series Hospital	,\$ 10,100,000	\$ 864,000 - 895,000	2017
1997 Series Fire,	\$ 700,000	\$ 196,000 - 207,000	2003

Municipal Utility, Revenue Bonds

Series Q,	\$ 4,165,000	\$1,488,725 - 1,522,050	2002
Series R,	\$ 1,340,000	\$ 500,915 - 504,213	2002
Series S,	\$ 6,920,000	\$ 713,355 - 718,598	2014
Series T,	\$ 13,700,000	\$ 730,515 - 1,360,515	
2017			
Series U,	\$ 7,695,000	\$ 436,365 - 941,865	2012

H. IDENTIFICATION OF BOROUGH DEBT: The following is a list of the long-term debt of the borough proposed to be dissolved through consolidation:

Areawide

Bond Issue, Principal Amount, Annual Payment, Date When Fully Paid

Ketchikan Gateway Borough, General Obligation Bonds

1989 Series A School,	\$1,200,000	\$ 1,280,400	2000
1996 Indoor Rec Center,	\$6,130,000	\$ 683,150 - 799,650	2009
1999 School,	\$7,595,000	\$ 653,430 - 660,256	2019

Municipal Revenue Bonds

1980 Airport Improvements,	\$50,000	\$ 54,000	2000
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Non-Areawide

None

Service Area

None

The Borough has been authorized to issue revenue bonds for airport terminal and ferry improvements. As of the date of this petition, the Borough was preparing to issue 2000 Airport Terminal/Ferry Bonds in the amount of \$4 million. The bonds are expected to be priced to yield a net interest cost of approximately five percent (5%) with

a final maturity of twenty years from the issuance date. Debt service will be provided on an areawide basis.

I. INTEGRATION OF CITY AND BOROUGH DEBT: The following is an explanation of the manner in which the debt will be integrated into the consolidated [**Borough** municipality]. Specifically included is an explanation of the manner in which the debt of the existing City to be consolidated will be paid. Upon consolidation, the debts of the City and the Borough will be assumed by the new consolidated [**Borough** municipality]. Integration of the debt will take place as described below:

General Obligation Bonds:

Port Improvements, Series 1994 - \$6,500,000: This bond was issued to finance improvements to the City's port facilities. Debt service for this bond is currently provided by revenues earned from port operations. Under the consolidated [**Borough** municipality], the debt will become an areawide obligation of the borough and debt service will continue to be provided by revenues from port operations.

Refunding, Series 1986, Amended 1993 - \$4,478,000: This bond was issued to finance the construction of a new police station, harbor improvements and wastewater utility system improvements. Debt service for this bond is currently provided by property taxes (49.5%), revenues earned from harbor operations (14.2%), and revenues earned from the operations of the wastewater utility system (36.3%). Under the consolidated [**Borough** municipality], debt service provided by property taxes will come from assessments against property owners located within the Ketchikan Service Area. Debt service related to harbor and wastewater utility system improvements will continue to be provided by revenues earned from the operations of the harbor and the wastewater utility system.

Special Assessment District No. 90-1, Series 1992: This bond was issued to finance the construction of a parking facility located within the Central Business District. Debt service for this bond is provided by assessments against property owners located within the boundaries of the local improvement district established prior to the construction of the parking facility. This bond will mature prior to the effective date of consolidation.

Hospital Construction, Series 1997 - \$10,700,000: This bond was issued to finance improvements to the municipally owned hospital. Debt service is currently provided by a one percent (1%) City sales tax. Upon consolidation, this debt will become an areawide debt of the municipality of Ketchikan. Under consolidation, the one percent (1%) City sales tax would be eliminated in favor of a one percent (1%) borough sales tax. Proceeds from the new one percent (1%) borough sales tax will be used to provide for debt service on this bond issue and other hospital facility improvements and health care services.

Fire Apparatus, Series 1997 - \$1,000,000: This bond was issued to finance the acquisition of two fire trucks for the City. Debt service is currently provided by a one and one-half percent (1.5%) City Public Works Sales Tax. Following consolidation, debt service for this bond will be the responsibility of the Ketchikan Service Area. Under consolidation, this City sales tax will be eliminated and replaced by a Ketchikan Service Area one and one-half percent (1.5%) Public Works Sales Tax that will be assessed against consumer sales within the service area. Proceeds from the Ketchikan Service Area sales tax would continue to be used to provide for debt service on this bond issue.

School Improvements Series 1989 A - \$9,600,000: This bond was issued to finance improvements for the Borough's school facilities. The State of Alaska reimburses the Borough for 80% of the annual debt service. The remaining 20% is paid for by an annual transfer from the Borough's Land Trust Repair and Maintenance Fund. No changes are anticipated to the present funding mechanism in place for providing the annual debt service as a result of consolidation. This bond will mature prior to the effective date of consolidation.

Indoor Recreation Center Series 1996 - \$7,500,000: This bond was issued to finance the construction of the Gateway Indoor Recreation Center. Debt service is currently provided by a one-half percent (.5%) Borough sales tax. Under consolidation, this borough sales tax would continue to be assessed against consumer sales taking place within the boundaries of the consolidated [**Borough**] municipality for the purpose of providing for the annual debt service on this bond issue.

School Improvements, Series 1999 - \$7,560,000: This bond was issued in December of 1999 to finance improvements to local school facilities. Seventy percent of the debt service will be reimbursed by the State of Alaska under its School Debt Program. The balance of the debt will be provided by the Land Trust Repair and Maintenance Fund. The debt will become an areawide obligation of the consolidated [**Borough**] municipality.

Revenue Bonds:

Airport Improvements, Series 1980 - \$410,000: This bond will mature prior to the effective date of consolidation. The consolidated [**Borough**] municipality will not be assuming this debt.

Airport/Ferry Terminal Improvements, Series 1999 - \$4,000,000: This bond will be issued in the spring of 2000 to finance improvements to the terminal facilities at the Ketchikan International Airport and the acquisition of a replacement vessel for the airport ferry system. Upon consolidation, this debt will be an areawide obligation of the municipality of Ketchikan. Debt service will be provided from the proceeds of a

federal passenger facilities charge against passengers using the Ketchikan International Airport facilities.

The following revenue bonds were issued by the City on behalf of Ketchikan Public Utilities, which is owned and operated by the City, for the purpose of financing improvements to Ketchikan Public Utilities' electric, water and telephone utilities. These bonds are secured by, and **only by**, the revenues of electric, water and telephone utilities.

Municipal Utility Revenue Refunding Bond, Series Q - \$15,030,000: This bond was issued to refund Municipal Utility Revenue Bond Series P, which was issued to primarily finance improvements for the municipal telephone utility system. Annual debt service for this bond is currently provided by the combined revenues of the City's municipally owned electric, telephone and water utilities, Ketchikan Public Utilities. Under consolidation, ownership of Ketchikan Public Utilities will transfer to the consolidated [**Borough**] municipality. Annual debt service would continue to be made from the combined revenues of Ketchikan Public Utilities.

Municipal Utility Revenue Bond, Series R - \$9,600,000: This bond was issued to finance the construction of improvements to the municipal electric and water utility systems. Annual debt service for this bond is currently provided by the combined revenues of the City's municipally owned electric, telephone and water utilities, Ketchikan Public Utilities. Under consolidation, ownership of Ketchikan Public Utilities will transfer to the consolidated [**Borough**] municipality. Annual debt service would continue to be made from the combined revenues of Ketchikan Public Utilities.

Municipal Utility Revenue Bond, Series S - \$8,625,000: This bond was issued to finance the construction of improvements to the municipal electric and water utility systems. Annual debt service for this bond is currently provided by the combined revenues of the City's municipally owned electric, telephone and water utilities, Ketchikan Public Utilities. Under consolidation, ownership of Ketchikan Public Utilities will transfer to the consolidated [**Borough**] municipality. Annual debt service would continue to be made from the combined revenues of Ketchikan Public Utilities.

Municipal Utility Revenue Bond, Series T - \$13,700,000: This bond was issued to finance the construction of improvements to the municipal electric utility system. Annual debt service for this bond is currently provided by the combined revenues of the City's municipally owned electric, telephone and water utilities, Ketchikan Public Utilities. Under consolidation, ownership of Ketchikan Public Utilities will transfer to the consolidated [**Borough**] municipality. Annual debt service would continue to be made from the combined revenues of Ketchikan Public Utilities.

Municipal Utility Revenue Refunding Bond. Series U - \$7,790,000: This bond was issued to partially refund Municipal Utility Revenue Bonds, Series R. Annual debt

service for this bond is currently provided by the combined revenues of the City's municipally owned electric, telephone and water utilities, Ketchikan Public Utilities. Under consolidation, ownership of Ketchikan Public Utilities will transfer to the consolidated [**Borough**] municipality. Annual debt service would continue to be made from the combined revenues of Ketchikan Public Utilities.

The rating agencies, the bond insurance companies and the paying agents will have to be notified that the City and the Borough no longer exist and that their debt has been assumed by the consolidated [**Borough**] municipality. The consolidated [**Borough**] municipality will also have to comply with SEC Rule 15c2-12(b)(5) which requires that information regarding material events, such as a change in the identity of a bond issuer, be disclosed with a nationally recognized municipal securities information depository.

J. INTEGRATION OF CITY AND BOROUGH ASSETS: In accordance with the schedule set forth in paragraph F of this Transition Plan, all assets of the City to be consolidated will become assets of the municipality of Ketchikan. As of December 31, 1998, the financial, real estate and fixed assets of the City totaled \$239,076,077. As of June 30, 1998, the financial, real estate and fixed assets of the Borough, including the School District (\$72,253,516), totaled \$146,606,051. Upon consolidation, the real estate and fixed assets of the City and Borough will be transferred to the consolidated [**Borough**] municipality.

Assets of the former Borough that were reserved for the benefit of the former Borough's service areas will continue to be reserved for those service areas that continue under the consolidated [**Borough**] municipality. As detailed below, however, certain assets of the former City will be reserved for the exclusive benefit of and use by the Ketchikan Service Area.

Services provided exclusively to the Ketchikan Service Area include fire suppression, police protection, solid waste collection, wastewater treatment, public works-engineering, public works-streets maintenance, public works-building maintenance, ** public works garage and warehouse **, and water. Physical assets to be retained by the Ketchikan Service Area are detailed below:

Assets that will be reserved to provide fire suppression services to the Ketchikan Service Area include two fire stations, all fire trucks and support vehicles, one fireboat, and all office and operating equipment presently used in the fire suppression efforts by the Ketchikan Fire Department.

Assets that will be reserved to provide police protection services to the Ketchikan Service Area include one police station, the police vehicle fleet, and all office and operating equipment presently used in the police protection efforts by the Ketchikan

Police Department.

Assets that will be reserved to provide solid waste collection services to the Ketchikan Service Area include refuse collection packers and other support vehicles, and other office and operating equipment presently used in the City's solid waste collection efforts. Fees for services will be assessed against the users of solid waste collection services.

Assets that will be reserved to provide wastewater collection, treatment and discharge services to the Ketchikan Service Area include secondary treatment plant facilities, pump stations, collection systems, rolling stock, and other office and operating equipment presently used in the City's efforts to collect and treat wastewater. Fees for services will be assessed against the users of wastewater collection and treatment services. Since wastewater collection, treatment and discharge will be provided on a nonareawide basis, these assets will be transferred to the consolidated **[Borough]** municipality, but will be reserved for the use of the Ketchikan Service Area wastewater system.

Assets that will be reserved to provide public works-engineering services to the Ketchikan Service Area include support vehicles and all office and operating equipment presently used in the public works-administration efforts by the Ketchikan Public Works Department. The Public Works Department will provide engineering services outside the Ketchikan Service Area. Such services will be billed accordingly as an inter-divisional charge or as a direct charge to an areawide function or service area.

Assets that will be reserved to provide public works-streets maintenance services to the Ketchikan Service Area include rolling stock, operating equipment, and supplies inventory presently used by the Ketchikan Public Works Department to maintain city streets. The Public Works Department may provide street maintenance services outside the Ketchikan Service Area. Such services will be billed accordingly as an interdivisional charge or as a direct charge to an areawide function or service area.

Assets that will be reserved to provide public works-building maintenance services to the Ketchikan Service Area include support vehicles and operating equipment presently used in the building maintenance efforts of the Ketchikan Public Works Department. The Public Works Department may provide building maintenance services outside the Ketchikan Service Area. Such services will be billed accordingly as an inter-divisional charge or as a direct charge to an areawide function or service area.

**** Assets that will be reserved to provide public works-garage and warehouse services to the Ketchikan Service Area include facilities and operating equipment presently used to maintain City-owned vehicles and store maintenance inventories. The Public Works Department will provide garage services outside the Ketchikan**

Service Area. Such services will be billed accordingly either as an interdivisional charge or as a direct charge to an areawide function or service area.**

Exhibit F projects the City's financial assets as of December 31, 1999. Those assets specifically not reserved to the [City of] Ketchikan Service Area shall be remitted to the consolidated [Borough] municipality as of July 1, 2001, the first day of the consolidated [Borough] municipality's initial fiscal year.

More detailed information regarding the integration of the City and Borough assets can be found in Exhibit F, Three Year Annual Budget and Financial Plan and Exhibit F-4, Disposition of City and Borough Assets and Liabilities.

K. EXISTING TAXES: The type and rate of each tax currently levied by the City and Borough proposed to be consolidated is listed below:

City Taxes:

Tax Type	Tax Rate
Real and Personal Property	6.4 mills
Sales	3.5%
Transient Occupancy Tax	6.0%

Borough Taxes:

Tax Type	Tax Rate
Borough Areawide Real and Personal Property	7.0 mills
Borough Nonareawide Real and Personal Property	.93 mills
Sales	2.0%
Nonareawide Transient Occupancy	4.0%

[EXHIBIT J-1
Minutes of June 17, 1998 Joint Meeting of the
Ketchikan City Council and the Ketchikan Gateway
Borough Assembly Regarding Consolidation]

[EXHIBIT J-2
Minutes of December 11, 1999 Joint Meeting of the
Ketchikan City Council and the Ketchikan Gateway
Borough Assembly Regarding Consolidation]

[EXHIBIT J-3

**Summary Notes of January 19, 2000 Ketchikan Community
Public Forum Regarding Consolidation]**

**[EXHIBIT J-4
Summary Notes of February 2, 2000 Ketchikan Community
Public Forum Regarding Consolidation]**

**[EXHIBIT J-5
Summary Notes of February 24, 2000 Ketchikan Community
Public Forum Regarding Consolidation]**

**[EXHIBIT J-6
Summary Notes of March 7, 2000 Ketchikan Community
Public Forum Regarding Consolidation]**

**[EXHIBIT J-7
Summary of March 15, 2000 Ketchikan Community
Public Forum Regarding Consolidation
of Juneau and Douglas]**

**EXHIBIT J-8
Consolidated municipality of Ketchikan and City of
Ketchikan Service Area Non-Executive Staffing Levels**

**EXHIBIT J-9
Consolidated municipality of Ketchikan and City of
Ketchikan Service Area Executive Staffing Levels**

EXHIBIT K**INFORMATION RELATING TO PUBLIC NOTICE**

This exhibit offers information relevant to the provision of public notice of the consolidation proceedings. Included are details about local media, municipal governments within and adjacent to the territory proposed for consolidation, places for posting public notices relating to the proposed consolidation, the location where the petition may be reviewed by the public, and parties that may warrant individual notice of the consolidation proceedings.

The following is a list of the principle media serving the area within the current and proposed boundaries of the City:

Name of the newspaper(s) serving the territory proposed for consolidation and adjacent regions:

Name: Ketchikan Daily News
Address: P.O. Box 7900
Ketchikan, Alaska 99901
Telephone #: (907) 225-3157
Fax #: (907) 225-1096

The Local Paper
516 Stedman Street
Ketchikan, Alaska 99901
(907) 225-6540
(907) 225-6435

Name of the radio station(s) serving the territory proposed for consolidation and adjacent regions:

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

KGTW FM/KTKN AM Radio
526 Stedman Street
Ketchikan, Alaska 99901
(907) 225-2193
(907) 225-0444

Name of the local television scanner serving the territory proposed for consolidation and adjacent regions:

Name: GCI
Address: 104 Plaza Port West
Ketchikan, Alaska 99901
Telephone #: (907) 225-2191
Fax #: (907) 225-4943

Name(s) of other media serving the territory proposed for consolidation and adjacent regions:

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

KUBD Channel 4/CBS
516 Stedman Street
Ketchikan, Alaska 99901
(907) 225-4613

**PLACE AND TIME WHERE THE PETITION AND RELATED MATERIALS ARE TO BE
MADE AVAILABLE FOR PUBLIC REVIEW**

A full set of petition documents, including responsive briefs, reply briefs, and reports of the Department of Community and Economic Development will be made available for public review by the petitioners' representative at the central and convenient location(s) listed below. The materials will be available from the first date of publication of notice of the filing of this petition through the last date available for reconsideration of the final decision under 19 AAC 10.580. The materials will be available for review during normal working hours. The petitioners' representative will accommodate requests for public review of the petition documents at reasonable times in the evening and on weekend days.

LOCATION: Office of the Borough Clerk
Ketchikan Gateway Borough
344 Front Street – Street Level
Ketchikan, AK 99901

DAYS/TIMES NORMALLY OPEN: 8:00 a.m. to 5:00 p.m., Monday through Friday

LOCATION: Office of the City Clerk
City of Ketchikan
334 Front Street - Fourth Floor
Ketchikan, Alaska 99901

DAYS/TIMES NORMALLY OPEN: 8:00 a.m. to 12:00 p.m. and 1:00 p.m. to 5:00 p.m.,
Monday through Friday.

LOCATION: Ketchikan Public Library
City of Ketchikan
629 Dock Street
Ketchikan, Alaska 99901

DAYS/TIMES NORMALLY OPEN: 10:00 a.m. to 8:00 p.m., Monday through Wednesday;
10:00 a.m. to 6:00 p.m., Thursday through Saturday; 1:00 p.m. to 5:00 p.m., Sunday.

Internet posting of the documents: www.sitnews.org under the Charter Commission

PLACES SUGGESTED FOR POSTING OF NOTICES RELATING TO THIS PROPOSAL

The following three or more public and prominent places within the territory proposed for consolidation are designated for posting of notices concerning this consolidation proposal.

Office of the City Clerk
City of Ketchikan
334 Front Street
Ketchikan, Alaska 99901
(907) 228-5658

Ketchikan Public Library
City of Ketchikan
629 Dock Street
Ketchikan, Alaska 99901
(907) 225-3331

City Hall 2nd Floor Bulletin Board
Clerk
Attn.: City Clerk
City of Ketchikan
334 Front Street
Ketchikan, Alaska 99901
(907) 228-5658

Office of the Borough

Ketchikan Gateway Borough
344 Front Street
Ketchikan, Alaska 99901
(907) 228-6605

MUNICIPALITIES ADJACENT TO THE PROPOSED BOROUGH

The following is a list of cities and boroughs whose boundaries extend within 20 miles of the proposed boundaries of the territory petitioned for consolidation.

City of Saxman
City of Ketchikan
Ketchikan Gateway Borough

PARTIES THAT MAY HAVE A PARTICULAR INTEREST IN THIS CONSOLIDATION PROPOSAL.

The following is a list of names and addresses of parties whose potential interest is the consolidation proceedings may warrant individual notice of the proceedings relating to this petition:

Ketchikan Gateway Borough
Borough Manager
344 Front Street
Ketchikan, Alaska 99901

Frank Murkowski, Governor
State of Alaska
P.O. Box 110001
Juneau, Alaska 99811-0001

Senator Bert Stedman
50 Front-203
Ketchikan, Alaska 99901

Representative Bill Williams
50 Front-203
Ketchikan, Alaska 99901

Forest Park Service Area
c/o KGB Manager's Office
334 Front Street
Ketchikan, Alaska 99901

Gold Nugget Service Area
c/o KGB Manager's Office
334 Front Street
Ketchikan, Alaska 99901

Mud Bight Service Area
c/o KGB Manager's Office
334 Front Street
Ketchikan, Alaska 99901

Gold Nugget Service Area
c/o KGB Manager's Office
334 Front Street
Ketchikan, Alaska 99901

Waterfall Creek Service Area
c/o KGB Manager's Office
334 Front Street
Ketchikan, Alaska 99901

Shoup Street Service Area
c/o KGB Manager's Office
334 Front Street
Ketchikan, Alaska 99901

Long Arm Service Area
c/o KGB Manager's Office
334 Front Street
Ketchikan, Alaska 99901

Nichols View Service Area
c/o KGB Manager's Office
334 Front Street
Ketchikan, Alaska 99901

Vallenar Bay Service Area
c/o KGB Manager's Office
334 Front Street
Ketchikan, Alaska 99901

Mountain Point Service Area
c/o KGB Manager's Office
334 Front Street
Ketchikan, Alaska 99901

Deep Bay Service Area
c/o KGB Manager's Office
334 Front Street
Ketchikan, Alaska 99901

S. Tongass Fire District
c/o KGB Manager's Office
334 Front Street
Ketchikan, Alaska 99901

North Tongass Fire & EMS Service Area
c/o KGB Manager's Office
334 Front Street
Ketchikan, AK 99901

City of Saxman
Route 2 Box 1-Saxman
Ketchikan, Alaska 99901

Ernest Boyd
P.O. Box 6831
Ketchikan, Alaska 99901

EXHIBIT F

THREE YEAR ANNUAL BUDGET AND FINANCIAL PLAN

In accordance with the requirements for a petition by a political subdivision of the State of Alaska for consolidation of a home rule city and a general law borough as a home rule borough, a three-year operating and capital budget has been prepared for the proposed consolidation of the City of Ketchikan and the Ketchikan Gateway Borough into a new entity, the municipality of Ketchikan, Alaska. The three-year operating and capital budget is attached as Exhibits F-1, F-2, F-3 and F-4. The City of Saxman, which is located within the boundaries of the Ketchikan Gateway Borough, will be excluded from the consolidation.

The three-year budget projects sources of revenues, items of expenditures, and surpluses and deficits through the first three full fiscal years of operations, starting with the fiscal year that begins on July 1, 2001. Expenditures include operating expenses, minor capital outlay, and planned major capital outlay. The three-year budget was developed in a manner that is consistent with the proposed charter for the municipality of Ketchikan.

Assumptions

The development of the three-year budget required that certain assumptions be made about future events. These assumptions have a direct impact on the revenue and expenditure projections used to compile the three-year budget. These assumptions were developed using historical financial data about the separate operations of the City of Ketchikan and the Ketchikan Gateway Borough, as well as using economic and financial data about the community served by both governments. Recent events and changes have taken place in the economy of Ketchikan, which reduced the reliability and usefulness of the economic and financial data used to develop certain assumptions and compile the three-year budget. As a result, professional judgment became more crucial in deciding which data was still relevant and how other data could be modified to fit the circumstances that currently exist in Ketchikan. While every effort was made to develop reasonable assumptions, a certain amount of risk remains that the assumptions used to compile the three-year budget may prove to be partially or totally incorrect. In situations where assumptions deviate significantly from actual events that might take place during the period covered by the three-year budget, the actual outcome may be materially different than the projections included in this petition. The key assumptions used in the development of the three-year budget are as follows:

- _The City of Ketchikan's 1999 General Government Annual Budget, the 1999 Ketchikan Public Utilities Annual Budget and the Ketchikan Gateway Borough's Fiscal Year 2000 Budget were used to develop base year revenues and expenditures. For the purposes of the three-year budget, 2000 was selected

as the base year. Since the municipality of Ketchikan's first full year of operation is expected to begin on July 1, 2001, revenues and expenditures were restated in 2001 dollars.

- Personnel costs were based on the staffing plan included in the petition for consolidation. The staffing plan projects that 402.28 full-time equivalent employees will be required to staff the municipality of Ketchikan. Staffing levels were projected not to increase or decrease during the period covered by the three-year budget. Duplicate positions that were adjusted as a result of consolidation were valued at the higher of the Borough or City salary for the duplicate position. For example, the Clerk position for the municipality of Ketchikan was valued at the Borough's level of compensation because it was higher than the City's level of compensation for that position.
- _Although the Consumer Price Index for the past two years has been significantly less than two percent (2%), a general inflation factor of two percent (2%) was used to adjust the cost of commodities and services, and minor and major capital outlay. The cost of personnel services, which includes salaries, wages and employee benefit costs, was adjusted by an annual rate of one and one-half percent (1.5%). This adjustment is expected to cover the cost of step increases and increases in employee benefit costs such as an annual five percent (5%) increase in health insurance costs. Salaries paid to assembly members were excluded from this adjustment because the Assembly is not expected to increase its salaries during the period covered by the three-year budget. Cost of living adjustments have not been specifically programmed for two reasons. As noted above, duplicate City and Borough positions have been programmed for the higher of the City or Borough salary and the three-year budget assumes full staffing for all positions. Since the probability of all positions actually being paid at the higher salary and/or no staffing vacancies is remote, it was determined that no additional adjustments were required to provide for a cost of living adjustment.
- _The municipality of Ketchikan will enter into a new Public Employees Retirement System participation agreement with the State of Alaska. The new agreement will retain the existing terms and conditions of the agreements the State has with the City and the Borough. The municipality of Ketchikan will also enter into a new 218 agreement with Federal Social Security Administration. This agreement will permit the municipality of Ketchikan to participate in the social security system.
- _Operating transfers were modified to reflect the organizational structure of the municipality of Ketchikan. No increases were programmed for operating transfers required to subsidize funds or programs unless an increase was required in order to maintain the solvency of the fund or program. Operating transfers required for debt service were based on existing and estimated debt

service schedules. Operating transfers required in order to comply with policies of the former City and Borough were programmed to continue until the earlier of the expiration of the legal mandate or the end of the period covered by the three-year budget.

- _Debt service expenditures were based on existing and new debt of the City and the Borough that will be assumed by the municipality of Ketchikan. Prior to consolidation, it is expected that the Borough will retire one general obligation bond issue and one revenue bond issue. The City will retire one special assessment issue and an inter-fund loan between Ketchikan Public Utilities and General Government.

The Borough plans to issue one general obligation bond issue and one revenue bond issue prior to consolidation. The City does not plan to issue any new debt.

- As part of their annual budgeting process, the City develops a comprehensive five-year capital improvement program and the Borough compiles a three-year capital improvement program. Since both programs are heavily dependent on bond financing, which requires voter approval, and state funding, which has yet to be appropriated by the State Legislature, the usefulness of the capital improvements programs was limited.

As an alternative, the projections for major capital outlay were determined by reviewing historical capital expenditures, the above referenced capital improvement programs, and the local funding sources projected to be available during the period covered by the three-year budget. Capital projects involving public safety or public health were given the highest priorities in situations where there were competing projects for limited funds.

- The base year (Fiscal Year 2000) amount was used to determine funding for all community agency programs that are presently funded by the City and the Borough. Certain community agency programs were eliminated if it was clear from the review of the 1999/2000 budget documents that the funding was intended to be limited to one year or would expire prior to the date of consolidation. Community agency programs consist of local grants awarded to not-for-profit organizations for education, health, economic development, social and visitor promotion services.
- _Funding for state revenue sharing and safe communities was projected to decline at an annual rate of fifteen percent (15%) from the base year. All other state revenues were projected to remain at the base year amount with one exception. State grants used to finance mental health and substance abuse programs were projected to grow at an annual rate of one percent (1%).
- _Although property values have increased at an average annual rate of 3.6% over

the past ten years, property values for the purpose of the three-year budget were projected to increase at an average annual rate of two percent (2%). The closure of the Ketchikan Pulp Company and the continuing uncertainty in the local economy is expected to cause property values to increase at a much slower pace.

- _Sales tax revenues were projected to grow at an annual rate of three percent (3%). Continued growth in the tourism industry, increases in the general price index, and the [pending] Mile 4 North Development are expected to sustain this level of growth.
- _Charges for services provided by the municipality of Ketchikan such as utility services were projected to grow at an annual rate of two percent (2%). Charges for the use of port and transit facilities were projected to increase at an annual rate of three percent (3%). All other revenues such as permits, fines and miscellaneous income were projected to increase at an annual rate of either one or two percent.
- The financial plan identifies the disposition of the assets of the City and the Borough. The consolidation, if approved by the Local Boundary Commission and the voters, is not expected to take place until 2001. It was impractical to project the value of the total assets of the City and Borough that will be transferred to the municipality of Ketchikan because the projection would span a two to three year period. To provide some indication of the value of the assets, the financial plan discloses the most recent projections of the unreserved fund balances of the funds that will become part of the municipality of Ketchikan. The unreserved fund balances represent total assets less total liabilities. The unreserved fund balances approximate the net assets that will be transferred upon consolidation. For the general fixed asset and general long-term debt account groups, total assets or total liabilities were disclosed.

Discussion of the Three-Year Budget and Financial Plan

As of December 31, 1998, the City had 29 funds, two account groups, assets totaling \$239 million and approximately 304 regular employees. As of June 30, 1999, the Borough had 26 funds, two account groups, assets totaling \$74 million, and approximately 113 regular employees. The Ketchikan Gateway Borough School District

was not included in the 1999 Borough totals and has not been included in the three-year budget or addressed in the financial plan. The School District is, however, part of the consolidation and its relationship to the municipality of Ketchikan is discussed in the

petition. State mandated local contributions required by the municipality of Ketchikan to the School District have been programmed in the three-year budget. Upon consolidation of the City and the Borough, combined assets will total approximately

\$313 million. The new government, the municipality of Ketchikan, will have 42 funds, two account groups and approximately 402 employees. **The consolidation will result in the elimination of approximately 16 paid positions. Included in this total are eight elected positions. The rest of the reduction comes from the elimination of duplicated positions within the offices of the Manager, the Clerk, the Attorney and the Finance Director. Total first year savings, including personnel costs and overhead, were estimated at over \$950,000. ** Since the restructuring of the municipality of Ketchikan will continue long after the consolidation takes place, additional saving and economies of scale may be achieved. Some functions of the proposed new government that might warrant additional review are public works, utilities, planning and human resources.

The foundation of the financial plan for the municipality of Ketchikan is the three-year budget. Budgeting for a government typically begins with the development of a spending plan for the various funds of the government. Funds are, by definition, a separate fiscal and accounting entity in which financial resources are recorded and segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. In order to fully understand the proposed financial plan for the municipality of Ketchikan, the three-year budget needs to be reviewed in the context of the funds that will be established for the new government.

General Fund

The general fund is used to account for all financial resources of a municipal government except those required to be accounted for in another fund. The general fund is typically the operating fund of the municipal government and its services are generally provided on an areawide basis. Consequently, it is supported primarily through areawide taxes and other revenues derived on an areawide basis. The City and the Borough currently maintain separate general funds. Upon consolidation, the general fund of both governments will cease to function and their respective assets and liabilities will be consolidated or redistributed. The assets and liabilities of the Borough General Fund will be remitted to the municipality of Ketchikan and placed in the general fund of the new municipality. Most of the assets and liabilities of the City General Fund will be transferred to a special revenue fund established to account for the financial resources of the Ketchikan Service Area which will be created at the time consolidation occurs. The Ketchikan Service Area is discussed in detail following the discussion of the general fund.

The municipality of Ketchikan will have one general fund. Revenues earned by the general fund will come primarily from property taxes (50% of total revenues), sales taxes (21%), interdepartmental charges (9%), charges for services (5%) and intergovernmental revenues (5%). The municipality of Ketchikan will also assess a payment in lieu of taxes against the Ketchikan Public Utilities and Port Enterprise Funds. **The assessment will be based on a mill levy equal to the mill levy required

to balance the budget of the City's general fund in effect at the time of consolidation.** The assessment will amount to approximately five percent (5%) of total revenues. By the third year of the three-year budget, general fund revenues are projected to total \$19.2 million.

Expenditures will include mayor and assembly, attorney, clerk, manager, planning and zoning, finance, assessment, animal protection, 911 emergency dispatch, library, museum, recreation, public health, cemetery maintenance and operations, education, and non-departmental functions. Under consolidation, 911 emergency dispatch, library, museum, public health, and cemetery functions will be funded on an areawide basis. Prior to consolidation these functions were funded either on a non-areawide basis or solely by the City. By the third year of the three-year budget, general fund expenditures are projected to total \$19.7 million.

As was noted earlier, the three-year budget was compiled using the adopted budgets of the City and the Borough as a starting point. The City's 1999 spending plan for its general fund will require a draw-down of general fund reserves in the amount of \$700,000. The Borough's 2000 spending plan will require a draw-down of general fund reserves in the amount of \$1.1 million. The combined deficits total \$1.8 million. In practice, the actual draw-down of reserves will most likely be less than programmed because, historically, appropriations have not always been spent as planned.

Modifications to the original spending plan are inevitable due to program delays and staff vacancies. Even though the actual draw-down of reserves will not be as significant as projected in the City and Borough budgets, a deficit is still expected to occur. As the three-year budget for the municipality of Ketchikan was compiled, it became evident that the deficit would continue to be an issue and needed to be addressed to ensure that the financial plan for the proposed consolidated [Borough] municipality was fiscally responsible.

To balance the municipality of Ketchikan General Fund and eliminate the projected operating deficit, an annual transfer of \$1 million from the Hospital Sales Tax Fund to the municipality of Ketchikan General Fund was programmed in the three-year budget. The use of the Hospital Sales Tax Fund in this manner is consistent with the current budgeting practice of the City of Ketchikan. The transfer from the Hospital Sales Tax Fund combined with consolidation savings of approximately \$950,000 is sufficient to balance the municipality of Ketchikan's general fund without having to resort to significant increases in the mill levy.

As previously noted, the assets and the liabilities of the Borough General Fund will be

remitted to the municipality of Ketchikan upon consolidation. At June 30, 2000, the Borough General Fund is projected to have an unreserved fund balance of \$1,345,501.

The disposition of the assets and liabilities of the City General Fund is outlined under the discussion of the City Service Area.

Special Revenue Funds

Special revenue funds are funds used to account for the proceeds of specific revenue sources that are legally restricted for specified purposes. The City and the Borough presently have 15 and 25 special revenue funds, respectively. Upon consolidation, the

municipality of Ketchikan will have 34 special revenue funds. The special revenue funds

of the municipality of Ketchikan will include former City and Borough special revenue funds. Some of these funds will be transferred directly to the municipality of Ketchikan in their present form and others will be combined to form a single fund. For example, funds that serve the same purpose for both the City and the Borough will be combined.

The proposed charter for the municipality of Ketchikan will require the creation of one [two] new special revenue funds to account for the Ketchikan Service Area. [and the **Greater Ketchikan EMS Service Area**]. The special revenue funds of the municipality of

Ketchikan will be as follows:

Ketchikan Service Area: This is a new fund that will be established to account for the financial resources of a newly created service area within the current boundaries of

the former City of Ketchikan., [the **Lybrand Addition, the JONSEA Tract and approximately 39 % of the present Shoreline Service Area**]. This service area will provide building inspection services, fire and police protection services, and certain public works services such as engineering, streets and roads, and ** vehicle & building maintenance **.

Revenues earned by the Ketchikan Service Area will come primarily from property taxes (16% of total revenues), sales taxes (65%), intergovernmental revenues (7%), and interdepartmental charges (5%). The sales tax will consist of a one percent (1%) tax for public safety and a one and one-half percent tax (1.5%) for public works. ** It should also be noted that intergovernmental revenues such as state revenue sharing, safe communities, raw fish tax, automobile taxes and boat taxes that previously accrued to the former City General Fund are now accounted for in this fund.**

This fund will also provide the financial resources for the debt service on 49.5% of the *Refunding, Series 1986, Amended 1993 General Obligation Bond* and 92% of the *Fire Apparatus, Series 1997 General Obligation Bond*. Upon consolidation, the assets

and

liabilities of the former City General Fund and the Public Works Sales Tax Fund will be remitted to the Ketchikan Service Area. The City is projecting that at December 31, 1999, its General Fund and Public Works Sales Tax Funds will have unreserved fund balances of \$4,035,600 and \$1,319,339, respectively. Assets of the former City General

Fund required to satisfy the accrued leave liabilities of the former City General Fund will

not be remitted to the Ketchikan Service Area, but instead will be transferred to the municipality of Ketchikan's General Fund along with the related liabilities. The transfer of these liabilities will be done in order to accommodate the City's financial accounting system.

[Greater Ketchikan EMS Service Area:]

Hospital Sales Tax Fund: This is an existing fund which was established to provide a source of funding for community health care facilities and services. Revenues earned by this fund come from a one percent (1%) sales tax. Upon consolidation, the one percent (1%) sales tax will be changed from a City sales tax to an areawide sales tax. This fund provides the debt service for the former City's 1997 Hospital General Obligation Bond. ** It also provides operating subsidies for the General Fund¹¹ **, the Mental Health Fund, and the Substance Abuse Fund, and finances the Ketchikan General Hospital Substance Abuse Recovery Program. The assets and liabilities of this fund will be remitted to the municipality of Ketchikan and used to provide areawide health facilities, health care services and ** operating subsidies for the General Fund**. At December 31, 1999, this fund is projected to have an unreserved fund balance of \$3,991,659.

Transient Occupancy Tax Fund: This is an existing fund that was established to provide a source of funding to promote the visitor industry. Revenues earned by this fund come from a six percent (6%) transient occupancy tax. The City currently assesses a six percent (6%) tax and the Borough assesses a four percent (4%) tax. Upon consolidation, this tax will be assessed at six percent (6%) areawide. Currently all of its earnings go toward funding the Ketchikan Visitors Bureau. The assets and liabilities of this fund will be remitted to the municipality of Ketchikan and used to provide areawide visitor and community promotion services.

At December 31, 1999, this fund is projected to have an unreserved fund balance of \$1,055.

Recreation Sales Tax Fund: This is an existing fund that was established to provide

¹¹ For accounting purposes, monies from the Hospital Sales Tax are transferred to the General Fund, but are drawn to pay hospital obligations.

a source of funding for recreational facilities and equipment. Revenues earned by this fund come from a one-half of one percent (.5%) areawide sales tax. In addition to providing funding for recreational facilities and equipment, this fund also provides the debt service for the former Borough's 1996 Indoor Recreation Center General Obligation Bonds. The assets and liabilities of this fund will be remitted to the municipality of Ketchikan and used to provide areawide recreation services.

At June 30, 2000, this fund is projected to have an unreserved fund balance of \$3,798.

Solid Waste Services Fund: This is an existing fund which was established to account for all of the financial resources used by the City to operate its municipal landfill and collection services. Revenues earned by this fund come from charges for services paid by the users of the facilities and subscribers to collection services. Upon consolidation, the operations of the municipal landfill will become an areawide function. The collection operations will be limited to providing residential and commercial collection services to subscribers located within the Ketchikan Service Area. The assets and liabilities of this fund will be remitted to the municipality of Ketchikan for the benefit of users of solid waste services.

At December 31, 1999, this fund is projected to have an unreserved fund balance of \$1,002,677.

Wastewater Services Fund: This is an existing fund which was established to account for all of the financial resources used by the City to operate its wastewater treatment plant and collection system. Revenues earned by this fund come from charges for services paid by the users of the facilities and services. This fund will also provide the financial resources for the debt service on 36.3% of the *Refunding, Series 1986, Amended 1993 General Obligation Bond*. Upon consolidation, the operations of the wastewater systems operated by the Borough will be incorporated into this fund. The assets and liabilities of this fund will be remitted to the municipality of Ketchikan for the benefit of users of wastewater services.

At December 31, 1999, this fund is projected to have an unreserved fund balance of \$381,889.

Economic and Parking Development Fund: This is an existing fund which was established to account for all of the financial resources generated from the sale of the former Spruce Mill property. The resources of this fund are designated for economic development, and the improvement and development of parking facilities located primarily in the Central Business District. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan, but reserved for the benefit of the Ketchikan Service Area.

At December 31, 1999, this fund is projected to have an unreserved fund balance of

\$1,135,569.

Ketchikan Boat Harbor Fund: This is an existing fund which was established to account for all of the financial resources used by the City to operate the five small boat harbors under its management. Revenues earned by this fund come from charges for services paid by the users of the harbor facilities and services. This fund will also provide the financial resources for the debt service on 14.2% of the *Refunding, Series 1986, Amended 1993 General Obligation Bond*. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan for the benefit of the users of harbor moorage services.

At December 31, 1999, this fund is projected to have an unreserved fund balance of \$375,564.

Mental Health Fund: This is an existing fund which was established by the City to account for all of the financial resources used to operate the Gateway Center for Human Services Mental Health Clinic. Revenues earned by this fund come from charges for patient fees, state grants, Medicare reimbursements, and private party insurance payments. Over the three-year budget period, annual operating subsidies ranging between \$185,000 and \$200,000 from the Hospital Sales Tax Fund will be required to keep this fund financially solvent. [**This fund will also assume the administration of the Borough's Child Care Grant Program.**] Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan for the purpose of providing areawide mental health services.

At December 31, 1999, this fund is projected to have an unreserved fund balance of \$33,896.

Substance Abuse Fund: This is an existing fund that was established by the City to account for all of the financial resources used to operate the Gateway Center for Human Services Substance Abuse Treatment Clinic. Revenues earned by this fund come from charges for patient fees, state grants, Medicare reimbursements, and private party insurance payments. Over the three-year budget period, annual operating subsidies ranging between \$360,000 and \$420,000 from the Hospital Sales Tax Fund will be required to keep this fund financially solvent. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan for the purpose of providing areawide substance abuse treatment services.

At December 31, 1999, this fund is projected to have an unreserved fund balance of \$31,427.

Special Assessment Guarantee Fund: This is an existing fund which was established by the City to account for all of the financial resources designated by the

City Council to guarantee repayment of local improvement district improvements financed with local revenues. Repayment would be required in the event of a default by a property owner. Interest earnings on investments is the sole source of revenues for this fund. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan but reserved for the benefit of the Ketchikan Service Area because the original source of funding came from the former City General Fund.

At December 31, 1999, this fund is projected to have an unreserved fund balance of \$337,146.

US Marshall Property Seizure Fund: This is an existing fund which was established by the City to account for all of the financial resources derived from the sale of assets seized by federal law enforcement officers that were used in criminal activities. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan but reserved for the benefit of the Ketchikan Service Area because the funds must be expended for a law enforcement purpose. Under consolidation, only the Ketchikan Service Area will exercise police powers.

At December 31, 1999, this fund is projected to have an unreserved fund balance of \$7,231.

State and Federal Grant Fund: This is an existing fund that was established by both the Borough and the City to account for all of the financial resources derived from federal and state financial assistance programs not accounted for in other funds. Most of the financial assistance programs are of short-term duration and are not continuing. As a result, only residual assets are expected to be on hand at the time of consolidation. Upon consolidation, any remaining assets will be remitted to the municipality of Ketchikan and will be used for the intended purpose of on-going financial assistance programs. All activity will be accounted for in a single fund. This fund is also used to pass-through state revenue sharing to agencies providing community health care services.

At December 31, 1999, this fund is projected to have a zero unreserved fund balance.

Cemetery O & M Fund: This is an existing fund that was established by the City to account for a portion of the financial resources derived from the sale of cemetery plots and other cemetery services. Expenditures from this fund are restricted to subsidizing the annual cemetery maintenance contract as it pertains to normal and routine operations and maintenance. The subsidy takes the form of an annual operating transfer to the General Fund. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan for the purpose of providing areawide cemetery services.

At December 31, 1999, this fund is projected to have an unreserved fund balance of \$36,019.

Cemetery Development Fund: This is an existing fund that was established by the City to account for a portion of the financial resources derived from the sale of cemetery plots and other cemetery services. Expenditures from this fund are restricted to the future development and expansion of the Bayview Cemetery. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan for the purpose of providing areawide cemetery services.

At December 31, 1999, this fund is projected to have an unreserved fund balance of \$183,291.

Cemetery Endowment Fund: This is an existing fund which was established by the City to account for a portion of the financial resources derived from the sale of cemetery plots and other cemetery services. Expenditures from this fund are restricted to subsidizing the annual cemetery maintenance contract as it pertains to perpetual care. The subsidy takes the form of an annual operating transfer to the General Fund. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan for the purpose of providing areawide cemetery services.

At December 31, 1999, this fund is projected to have an unreserved fund balance of \$24,251.

Economic Development Assistance Fund: This is an existing fund that was established by the Borough to account for the financial resources derived from the receipt of \$25 million in economic disaster funds from the federal government. Expenditures from this fund are restricted to mitigating the economic impact of the loss of the timber industry and promoting economic development in the community. Revenues earned by this fund come primarily from interest earnings from investments of the economic disaster fund. No expenditures have been programmed for the three-year budget period. **[because the Borough's plans for spending the funds were uncertain at the time that the three-year budget was compiled.]** Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan for the purpose of providing areawide economic development and continuing the efforts to mitigate the negative economic impacts caused by the loss of the community's timber industry. At June 30, 2000, this fund is projected to have an unreserved fund balance of \$9,559,390.

Economic Development Infrastructure Fund: This is an existing fund that was established by the Borough to account for a portion of the financial resources derived from the receipt of \$25 million in economic disaster funds from the federal government.

Funding comes from annual transfers in the amount of \$500,000 from the Economic Development Revenue Fund. Annual funding is expected to continue over an eight-

year period beginning with Fiscal Year 2000. Expenditures from this fund are restricted to the development and construction of major infrastructure such as roads and sewers to promote local economic development. **[No expenditures have been programmed for the three-year budget period because the Borough's plans for spending the funds were uncertain at the time that the three-year budget was compiled.]** Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan.

At June 30, 2000, this fund is projected to have an unreserved fund balance of \$500,000.

Economic Development Revenue Fund: This is an existing fund which was established by the Borough to account for a portion of the financial resources derived from the receipt of \$25 million in economic disaster funds from the federal government. Initial funding in the amount of \$6 million for this fund was appropriated in Fiscal Year 2000 from the Economic Development Assistance Fund. Annual payments of \$500,000 each will be made from this fund to the Economic Development Infrastructure Fund and the Economic Development Annual Budget Fund over the next eight year years. Future revenues earned by this fund will come primarily from interest earnings from the investments of the initial seed money. Although, the three-year budget compiled for the Economic Development Revenue Fund shows that the fund will operate with a deficit over the three-year period covered by the budget, this is not cause for concern given the intended purpose of the fund. The deficit will continue to grow over the next eight years until the initial seed money has been exhausted. At the end of eight years, the Economic Development Revenue Fund will be closed and any residual equity will be transferred to the Economic Development Assistance Fund. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan.

At June 30, 2000, this fund is projected to have an unreserved fund balance of \$6,000,000.

Economic Development Annual Budget Fund: This is an existing fund that was established by the Borough to account for a portion of the financial resources derived from the receipt of \$25 million in economic disaster funds from the federal government. Funding comes from annual transfers in the amount of \$500,000 from the Economic Development Revenue Fund. Annual funding is expected to continue over an eight-year period beginning with Fiscal Year 2000. Expenditures from this fund are currently restricted to the financing of the Borough's independent Economic Development Commission and the UAS Small Business Development Center. Funding for the Ketchikan Visitors Bureau was originally programmed to come from this fund, but for the purpose of the three-year budget, the source of funding was transferred to the Transient Occupancy Tax Fund in order to be consistent with the former City's policy of funding the Ketchikan Visitors Bureau from the proceeds of the transient occupancy

tax.

No expenditures have been programmed for the three-year budget period because the

Borough's plans for spending the funds were uncertain at the time that the three-year budget was compiled. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan.

At June 30, 2000, this fund is projected to have a zero unreserved fund balance.

Economic Disaster - Designated Fund: This is an existing fund which was established by the Borough to account for a portion of the financial resources derived from the receipt of \$25 million in economic disaster funds from the federal government. Initial funding was provided by a transfer from the Economic Development Assistance Fund. Revenues of the Economic Disaster - Designated Fund come primarily from earnings from the investments of the seed money. The fund is committed to expending its earnings to assist with financing the operations of the shipyard managed by Alaska Ship and Dry Dock through Fiscal Year 2002. At the conclusion of the agreement with the Alaska Ship and Dry Dock, the initial funding, plus any residual equity, in the amount of approximately \$2 million, will be transferred back the Economic Development Assistance Fund. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan.

At June 30, 2000, this fund is projected to have an unreserved fund balance of \$2,033,124.

Land Trust Repair and Maintenance Fund: This is an existing fund that was established by the Borough to account for areawide general purpose land trust financial resources. Revenues earned by this fund come primarily from earnings from its investments. Expenditures are currently limited to the repair, maintenance and replacement of buildings and other facilities owned and operated by the Borough. No significant repair and maintenance expenditures have been projected by the Borough for the period covered by the three-year budget. Operating transfers have been programmed to provide the General Fund with an operating subsidy for the Indoor Recreation Center and to provide for debt service on *the School Improvements, Series 1999 General Obligation Bond*. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan to be used for areawide purposes.

At June 30, 2000, this fund is projected to have an unreserved fund balance of \$7,806,889.

Land Trust Residential Fund: This is an existing fund which was established by the Borough to account for areawide land trust financial resources restricted for the development of residential infrastructure. Revenues earned by this fund come

primarily from earnings from its investments. Expenditures are currently limited to the repair, maintenance and replacement of residential infrastructure such as roads, sidewalks and sewers. No significant repair, maintenance or replacement expenditures have been projected by the Borough for the period covered by the three-year budget. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan to be used for areawide purposes.

At June 30, 2000, this fund is projected to have an unreserved fund balance of \$2,923,743.

Land Trust Commercial/Industrial Fund: This is an existing fund that was established by the Borough to account for areawide land trust financial resources restricted for the development of commercial/industrial infrastructure. Revenues earned by this fund come primarily from earnings from its investments. Expenditures are currently limited to the repair, maintenance and replacement of commercial- industrial infrastructure such as roads, sidewalks and sewers. No significant repair, maintenance or replacement expenditures have been projected by the Borough for the period covered by the three-year budget. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan to be used for areawide purposes.

At June 30, 2000, this fund is projected to have an unreserved fund balance of \$2,918,256.

[Shoreline Service Area:]

South Tongass [Volunteer Fire District] Service Area: This is an existing service area fund that was established by the Borough to account for financial resources restricted for the benefit of the residents of the service area. This service area currently provides fire protection services. Revenues earned by this fund come primarily from property taxes (approximately 96% of total revenues). Expenditures are currently limited to those required for providing adequate fire protection service. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan but reserved for the benefit of the South Tongass Volunteer Fire Department Service Area.

At June 30, 2000, this fund is projected to have an unreserved fund balance of \$163,438.

[Mountain Point Service Area:]

[Shoup Street Service Area:]

Nichols View Service Area: This is an existing service area fund that was established by the Borough to account for financial resources restricted for the benefit of the

residents of the service area. This service area is currently authorized to provide road construction and maintenance services. Revenues earned by this fund come primarily from other revenues. No expenditures have been programmed for road construction and maintenance services because specific projects have not been identified. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan but reserved for the benefit of the Nichols View Service Area.

At June 30, 2000, this fund is projected to have an unreserved fund balance of \$10,284.

Waterfall Service Area: This is an existing service area fund that was established by the Borough to account for financial resources restricted for the benefit of the residents of the service area. This service area currently provides sewer and road construction & maintenance services. Revenues earned by this fund come primarily from charges for services (approximately 51% of total revenues). Expenditures are currently limited to those required for providing adequate sewer and road construction & maintenance services. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan but reserved for the benefit of the Waterfall Service Area.

At June 30, 2000, this fund is projected to have an unreserved fund balance of \$131,765.

Mud Bight Service Area: This is an existing service area fund that was established by the Borough to account for financial resources restricted for the benefit of the residents of the service area. This service area currently provides road construction and maintenance services. The service area is also authorized to provide water supply, treatment and distribution services, but is currently not exercising these powers. Revenues earned by this fund come primarily from charges for services (approximately 90% of total revenues). Expenditures are currently limited to those required for providing adequate road construction and maintenance services. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan but reserved for the benefit of the Mud Bight Service Area.

At June 30, 2000, this fund is projected to have an unreserved fund balance of \$14,234.

Forest Park Service Area: This is an existing service area fund that was established by the Borough to account for financial resources restricted for the benefit of the residents of the service area. This service area currently provides sewer and road construction & maintenance services. Revenues earned by this fund come primarily

from property taxes (approximately 92% of total revenues). Expenditures are currently limited to those required for providing adequate sewer and road construction & maintenance services. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan but reserved for the benefit of the Forest Park Service Area.

At June 30, 2000, this fund is projected to have an unreserved fund balance of \$3,236.

Gold Nugget Service Area: This is an existing service area fund that was established by the Borough to account for financial resources restricted for the benefit of the residents of the service area. This service area currently provides sewer and road construction & maintenance services. Revenues earned by this fund come primarily from charges for services (approximately 88% of total revenues). Expenditures are currently limited to those required for providing adequate sewer and road construction & maintenance services. The three-year budget compiled for the Gold Nugget Service Area Fund shows that the fund will operate with a deficit over the three-year period covered by the budget. The deficit will range between \$1,700 and \$1,800. While a long-term solution is needed to address the deficit, the fund has adequate reserves to finance such deficits over the short-term. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan but reserved for the benefit of the Gold Nugget Service Area.

At June 30, 2000, this fund is projected to have an unreserved fund balance of \$15,395.

North Tongass Fire & Emergency Medical Services Service Area

NOTE: NEED VERBAGE HERE

Debt Service Funds

Debt service funds are established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Debt issued for an enterprise activity is normally accounted for in an enterprise fund. The City and the Borough presently have three and two debt service funds, respectively. Upon consolidation, the municipality of Ketchikan will have one debt service fund. All the resources accumulated in the Borough's debt service funds and the City's General Obligation Bond Debt Service Fund will be transferred to the municipality of Ketchikan's General Obligation Bond Debt Service Fund. The City's 1992 Berth II Special Assessment Debt Service Fund and its related Guarantee Fund will be closed prior to consolidation because the 1992 Berth II Special Assessment Bond will mature in 2000.

The debt service fund of the municipality of Ketchikan is as follows:

General Obligation Bond Debt Service Fund: This is an existing fund which was established by both the Borough and the City to account for all the financial resources used to provide debt service for issued and outstanding general obligation bonds. Upon consolidation, the Borough and the City General Obligation Bond Debt Service Funds will be combined into a single General Obligation Bond Debt Service Fund and the municipality of Ketchikan will assume the responsibility for servicing all outstanding general obligation debt. The general obligation debt that will be assumed by the municipality of Ketchikan and serviced through the General Obligation Bond Debt Service Fund is listed below:

- Refunding, Series 1986, Amended 1993
- Indoor Recreation Center, Series 1996
- Hospital Construction, Series 1997
- Fire Apparatus, Series 1997
- School Improvements, Series 1999

Operating transfers from other funds will provide the resources needed to service the above referenced debt. The three-year budget has been programmed for operating transfers from the following funds:

Ketchikan Service Area Fund: - to provide for the debt service of 49.5% of Refunding Series 1986, Amended 1993 and 92% of Fire Apparatus, Series 1997.

Greater Ketchikan EMS Service Area Fund: to provide for the debt service of eight percent (8%) of Fire Apparatus, Series 1997.

Hospital Sales Tax Fund: to provide for the debt service of 100% of Hospital Construction, Series 1997.

Recreation Sales Tax Fund: to provide for the debt service of 100% of Indoor Recreation Center, Series 1996.

Land Trust Repair and Maintenance Fund: to provide for the debt service of 30% of School Improvements, Series 1999. The remaining 70% will be provided by the State of Alaska.

Wastewater Services Fund: to provide for the debt service of 36.3% of Refunding Series 1986, Amended 1993.

Small Boat Harbor Fund: to provide for the debt service of 14.2% of Refunding Series 1986, Amended 1993.

The municipality of Ketchikan will also assume the responsibility for servicing other general obligation debt and municipal revenue bonds. The debt service for these

bond issues will be accounted for in other funds. Upon consolidation, any assets held by the General Obligations Debt Service Funds of the City and Borough will be remitted to the municipality of Ketchikan. At December 31, 1999, this fund is projected to have a zero unreserved fund balance.

Capital Projects Funds

Capital projects funds are created to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by enterprise funds. The City and the Borough presently have seven and three capital projects funds, respectively. Upon consolidation, the municipality of Ketchikan will have one capital projects fund. The projects accounted for in the remaining capital projects funds of the City and the Borough are expected to be completed prior to consolidation. As a result, the funds will be closed and any remaining residual equity balances will be returned to the originating fund.

The capital projects fund of the municipality of Ketchikan is as follows:

Major Capital Improvements Fund: This is an existing fund that was established by the City to account for financial resources designated for the development and construction of major infrastructure. Revenues earned by this fund come primarily from interest earned on investments, bond proceeds, state and federal grants, and transfers from other funds. No expenditures have been programmed for the three-year budget period because the City's plan for capital spending from this fund were inconclusive at the time that the three-year budget was compiled. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan but reserved for the benefit of the Ketchikan Service Area.

At December 31, 1999, this fund is projected to have an unreserved fund balance of \$1,002,272.

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis. The City and the Borough presently have one and two internal service funds, respectively. Upon consolidation, the municipality of Ketchikan will have one internal service fund to account for its risk management efforts. The present City and Borough internal service funds will be combined to form a single fund.

The internal service fund of the municipality of Ketchikan is as follows:

Self-Insurance Fund: This is an existing fund which was established by both the Borough and the City to account for certain resources used to finance various risk

management and health insurance programs. Upon consolidation, the Borough and the

City Self-Insurance Funds will be combined into a single Self-Insurance Fund.

Revenue

earned by this fund will come primarily from premiums for health insurance paid by other funds and employees of the municipality of Ketchikan and Interdepartmental charges for liability claims.

Expenditures of the fund include costs incurred for third-party administrators, insurance premiums and claims. Expenditures of this fund have been programmed to increase at an annual rate of five percent (5%) primarily due to the increasing cost of health care. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan.

At December 31, 1999, the City's Self-Insurance Fund is projected to have an unreserved fund balance of \$1,714,540. At June 30, 2000, the Borough is projecting an unreserved fund balance of \$1,391,413 for its Self-Insurance Funds. The combined unreserved fund balance will total approximately \$3.1 million.

Enterprise Funds

Enterprise funds are established to account for operations financed and operated in a manner similar to private business enterprises. In this case the governing body intends for the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City and the Borough

presently have two enterprise funds each. Upon consolidation, the municipality of Ketchikan will continue to operate the existing four enterprise funds.

The enterprise funds of the municipality of Ketchikan are as follows:

Port Fund: This is an existing fund that was established by the City to account for financial resources designated for the operations of the Port of Ketchikan. Revenues earned by this fund come primarily from charges for services collected from the users of

port facilities. Revenues were programmed to grow at an annual rate of three percent (3%) during the three-year budget period because growth in the cruise ship industry is expected to continue. This fund also provides the debt service for the Port Improvements, Series 1994 General Obligation Bond. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan.

At December 31, 1998, this fund reported a fund equity of \$9,062,143.

Ketchikan Public Utilities Fund: This is an existing fund that was established by the City to account for the financial resources designated for the operations of Ketchikan

Public Utilities. Revenues earned by this fund come primarily from charges for electric, telephone and water utility services. This fund also provides the debt service for the Municipal Utility Revenue Bonds, Series Q, R, S, T and U. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan. Electric and telephone services will continue to be offered on a community-wide basis. Water services will only be offered within the Ketchikan Service Area.

At December 31, 1998, this fund reported a fund equity of \$72,180,892.

Airport Fund: This is an existing fund that was established by the Borough to account for the financial resources designated for the operations of Ketchikan International Airport and its ferry system. Revenues earned by this fund come primarily from charges for landing fees, airport terminal building leases, and ferry fares. The three-year budget compiled for the Airport Fund shows that the fund will operate with a deficit over the three year period covered by the budget. The deficit will range between \$183,000 and \$179,000. While a long-term solution is needed to address this deficit, the fund has adequate reserves to finance such deficits over the short-term. The Passenger Facility Charges Fund was incorporated into the Airport Fund for the purposes of the three-year budget. Revenues earned by this fund come from the federal government and are dedicated to provide the debt service for the Municipal Revenue Bonds, Airport and Ferry Improvements, Series 1999. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan. The services of the Airport Fund will continue to be offered on an areawide basis.

At June 30, 1999, this fund reported a fund equity of \$2,436,519.

Transit Fund: This is an existing fund that was established by the Borough to account for the financial resources designated for the operations of the Borough bus transit system. Revenues earned by this fund come primarily from charges for bus fares. Over the three-year budget period, annual operating subsidies ranging between \$230,000 and \$240,000 from the General Fund will be required to keep this fund financially solvent. Upon consolidation, the assets and liabilities of this fund will be remitted to the municipality of Ketchikan. The services of the Transit Fund will continue to be offered on an areawide basis although the majority of its bus routes lie within the Ketchikan Service Area.

At June 30, 1999, this fund reported a fund deficit of \$2,406.

Account Groups

Account groups are accounting entities used to establish control over and accountability for the government's general fixed assets and the un-matured principal of its general long-term debt and other long-term obligations. There are two types of account groups: General Fixed Assets and General Long-Term Debt. Both the City

and the Borough each have one General Fixed Assets Account Group and one General Long-Term Debt Account Group. Upon consolidation, the General Fixed Assets Account Groups and the General Long-Term Debt Account Groups will be combined. The municipality of Ketchikan will have one General Fixed Assets Account Group and one General Long-Term Debt Account Group.

Both account groups are described as follows:

General Fixed Assets Account Group: Both the City and the Borough maintain an account group called the General Fixed Assets Account Group. The General Fixed Assets Account Group is a schedule of all general fixed assets not accounted for in any other fund. By definition, fixed assets of enterprise funds are excluded. Upon consolidation, both General Fixed Assets Account Groups will be combined into a single General Fixed Asset Account Group. Since assets included in the General Fixed Asset Account Group include assets designated for or acquired by financial resources of services, such assets will have to be identified and accounted for.

As of December 31, 1998, the City's General Fixed Assets Account Group had a balance of \$64,015,182. As of June 30, 1998, the Borough had a balance of \$12,897,208. The combined balance of general fixed assets will total approximately \$77 million.

General Long-Term Debt Account Group: Both the City and the Borough maintain an account group called the General Long-Term Debt Account Group. The General Long-Term Debt Account Group is a schedule of all long-term debt and other obligations of the municipality not accounted for in any other fund. By definition, long-term debt and obligations of enterprise funds are excluded. Upon consolidation, both General Long-Term Debt Account Groups will be combined into a single General Long-Term Debt Account Group.

As of December 31, 1998, the City's General Long-Term Debt Account Group had a balance of \$17,949,627. As of June 30, 1998, the Borough had a balance of \$9,015,000. The combined balance of general long-term debt will total approximately \$27 million.

Conclusion

The three-year annual budget and the financial plan clearly demonstrate that the consolidation of the City and the Borough is financially feasible and beneficial to the residents of both the City and the Borough. The consolidation is projected to save approximately \$950,000 during the municipality of Ketchikan's first year of operation.

Sales taxes remain basically unchanged except for the modification of the one percent (1%) Hospital Sales Tax from a City sales tax to an areawide sales tax. Property taxes will change. Residents living outside the current city limits will experience an increase in property taxes. Residents living inside the city limits will experience a decrease. As

illustrated in Exhibit F-3, the areawide mill levy will be raised to 9.0 from 7.5. This increase is partially offset by the elimination of the non-areawide mill levy of .93. The increase in property taxes for residents living outside the city limits was not totally unexpected. One of the primary driving forces behind consolidation was to spread the costs of providing basic government services to all citizens enjoying the benefits of those services.

While the areawide mill rate will be increasing under consolidation, this should be viewed in light of the fact that the three-year annual budget compiled for the municipality of Ketchikan is in balance. As was discussed earlier, the current budgets for the general funds of the City and the Borough were not in balance. Going from an unbalanced budget to a balanced budget would normally, assuming all service levels and all revenues except for property taxes remain the same, result in an increase in the mill rate. Since the starting point for the three-year annual budget for the general fund of the municipality of Ketchikan was the unbalanced budgets of the general funds of the City and the Borough, and no changes in services were programmed, a mill rate increase was required in order to achieve a balanced budget.

The increase in the mill rate was, however, partially mitigated as a result of the savings expected to occur from consolidation. Exhibit F-3 compares the present mill rates, the mill rates that would have been required if the City and the Borough had balanced their

respective general funds for calendar year 1999 and fiscal year 2000, and the proposed consolidation mill rates. The purpose of showing the mill rates that would have been required to balance the current budgets of the general funds of the City and Borough in

Exhibit F-3 is to provide a more meaningful comparison of the present local government budgets with the balanced budget of the municipality of Ketchikan and to illustrate the impact of the consolidation savings on the mill rates.

It is unfortunate that the consolidation will be taking place during a period of economic uncertainty for both the state and local economy. The State's financial condition has deteriorated to the point where funding for state revenue sharing and safe communities

programs has been significantly reduced. The loss of funding for both of these programs has had an adverse impact on the amount of local revenues now required

to be generated in order to support local government services. Both the City and the Borough General Funds are reporting operating deficits. The results of both these events is the basis for the increase in the areawide mill levy discussed above and the proposal contained within the financial plan to subsidize the municipality of Ketchikan's General Fund with annual transfers in the amount of \$1 million from the Hospital Sales Tax Fund. With the exception of several funds, the proposed three-year budget balances revenues and expenditures in a responsible manner. The organization and the restructuring of the new government will be an on-going process that will take several years to complete. As the new assembly and the new management team work together to blend the two separate governments into a single, cohesive governmental unit, other cost saving measures will be identified or developed which will go towards further reducing the cost of local government and reducing the local tax burden.

EXHIBIT F-1
Three Year Annual Budget
Municipality of Ketchikan

EXHIBIT F-2
Three Year Annual Budget
Expenditure Summary By Category
Municipality of Ketchikan

EXHIBIT F-3
Three Year Annual Budget
Proposed Mill Rates
Municipality of Ketchikan

EXHIBIT F-4
Disposition of City and Borough Assets and Liabilities