

September 7, 2005

Mr. Robert Newell
Finance Director
City of Ketchikan
334 Front Street
Ketchikan, AK 99901

Dear Bob:

Thank you for the information provided to assist us in our proposed consolidation of the City and Borough. The information will hopefully prove useful in updating our budget information for better clarity.

In reviewing the information, one item is puzzling. What is the large increase from 2006 to 2007 in Ketchikan Port Fund PILT revenue attributable to? The notes indicate an annual 1% increase, yet in 2007, and thus affecting subsequent years, the increase is nearly 300%.

Thank you again for your assistance.

Sincerely,

Glen Thompson
Chair
Ketchikan Consolidation Commission

From: "Bob Newell" <FINDIR@city.ketchikan.ak.us>
To: <gthompson@akpacific.com>
Cc: <charter@kpu.net>
Sent: Wednesday, September 07, 2005 4:35 PM
Subject: Re: Consolidation

Glen:

This is what happens when you work on a project over a period of time. The PILOT estimates were developed prior to the special election for the Port bonds. The City was anticipating an increase in the PILOT as a result of constructing the improvements planned for the Port. We should have qualified our estimates to reflect the outcome of the election.

The decision to revert back to the original PILOT of \$103,000+ or keep the current projection depends on whether or not the planned improvements will be constructed in the near future. The City will be required to get voter approval before construction can begin.

If you decide to use the \$300,000+ estimate, then you will need to adjust the figure I provided in Exhibit D. Instead of valuing the Port property at \$16 million, it should be increased to \$47 million. This figure was developed by the City's consulting engineers.

I'm glad you asked the question. We want this information to be as accurate as possible.
Bob