

**2004
KETCHIKAN
CONSOLIDATION
PETITION
2005 AMENDMENTS**

**Original Submitted to the Local Boundary Commission
September 30, 2004**

**Amendments Submitted to the LBC
*September **, 2005***

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PETITION FOR CONSOLIDATION OF THE KETCHIKAN GATEWAY BOROUGH AND THE CITY OF KETCHIKAN TO THE MUNICIPALITY OF KETCHIKAN, A HOME RULE BOROUGH¹

To: The State Of Alaska, Local Boundary Commission:

The Petitioner hereby requests that the Local Boundary Commission grant this petition for consolidation resulting in the dissolution of the home rule city and general law borough described herein and the incorporation of a home rule borough under the provisions of Article X, Sections 1, 3, and 5 of Alaska's constitution; AS 29.06.090 - AS 29.06.170; 3 AAC 110.240 - 3AAC 110.250; 3 AAC 110.400 - 3 AAC 110.660; and 3 AAC 110.900 - 3 AAC 110.990.

1. CONSOLIDATION PROPOSAL. The Petitioner, the Ketchikan Gateway Borough, a political subdivision of the State of Alaska, hereby petitions to dissolve the municipalities named below and to incorporate, through consolidation, the home rule borough named below and described in this petition:

Municipalities to be Dissolved by Consolidation:

Name: City of Ketchikan (hereafter City).
Class: home rule.

Name: Ketchikan Gateway Borough (hereafter Borough).
Class: second class borough.

Home Rule Borough to be Incorporated by Consolidation:

Name: Ketchikan (hereafter Ketchikan).
Class: home rule.

2. POPULATION. The population of the municipalities that are proposed for consolidation is estimated to be as follows:

City of Ketchikan:	8,002 ²
Ketchikan Gateway Borough (including City):	13,548 ³

¹ This petition, including the Charter, transition plan, proposed taxes and budget are subject to amendment by the Petitioner in accordance with 3 AAC 110.540 or, after submittal, by the Local Boundary Commission.

² Department of Community and Economic Development, 2003 estimate.

³ Department of Community and Economic Development, 2003 estimate.

3. REASONS FOR CONSOLIDATION.

A summary of the principal reasons for the consolidation proposal is provided as **Exhibit A**.

4. LEGAL DESCRIPTION AND MAP OF BOUNDARIES OF PROPOSED HOME RULE BOROUGH TO BE INCORPORATED THROUGH CONSOLIDATION:

A written metes and bounds legal description of the boundaries of the home rule borough proposed to be incorporated by consolidation is presented as **Exhibit B-1**.

A map showing the boundaries of the home rule borough proposed to be incorporated by consolidation is presented as **Exhibit B-2**. The boundaries described and shown on the map are identical to the existing boundaries of the Ketchikan Gateway Borough.

5. LEGAL DESCRIPTION AND MAP OF BOUNDARIES OF EXISTING MUNICIPALITIES PROPOSED TO BE DISSOLVED THROUGH CONSOLIDATION:

Exhibit C-1 provides a written metes and bounds legal description of the existing boundaries of the City of Ketchikan that would be dissolved through consolidation.

Exhibit C-2 provides a map showing the existing boundaries of the City of Ketchikan.

A written metes and bounds description and map of the boundaries of the Ketchikan Gateway Borough, which would also be dissolved through consolidation, are provided as **Exhibits B-1** and **B-2**.

6. COMPOSITION AND APPORTIONMENT OF THE ASSEMBLY.

Exhibit D presents the proposed apportionment and composition of the Assembly for the proposed home rule borough to be incorporated through consolidation. The proposed apportionment and composition is consistent with the equal representation standards of the Constitution of the United States and complies with AS 29.20.060. Unless modified by the Local Boundary Commission on a reasonable basis following hearings on the consolidation proposal, the Assembly will be comprised of the number of members and apportioned as set out in **Exhibit D** until the composition or apportionment of the Assembly is lawfully changed.

7. AREAWIDE, NONAREAWIDE and SERVICE AREA POWERS AND SERVICES.

Listed below are the proposed services to be provided and the powers proposed to be exercised by the home rule borough on an areawide and nonareawide basis. To the extent that voter approval is required to grant the powers and authority for areawide or nonareawide services listed in this petition, 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 voter approval of the consolidation.

Areawide Powers Required by Statute:

- 1. Education
- 2. Assessment and Collection of taxes, including, but not limited to Property, Sales and Transient Occupancy Taxes
- 3. Platting, Planning, and Land Use Regulation

Areawide Powers and Services Required by Charter:

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- 1. Parks and Recreation
- 2. Transportation, including Airport and Public Transit
- 3. Animal Control
- 4. Economic Development
- 5. Emergency 911 Dispatch
- 6. Library
- 7. Museum
- 8. Civic Center
- 9. Public Health, including Mental Health and Substance Abuse
- 10. Hospital
- 11. Ports and Harbors
- 12. Cemetery
- 13. Solid Waste Disposal

Utility Powers Required by Charter:

- 1. Electricity (borough-owned Utility)
- 2. Telecommunications (borough-owned Utility)
- 3. Water Service (borough-owned Utility)

Nonareawide and Service Area Powers and Services Required by Charter:

- 1. Sewer and septic waste services
- 2. Building Code enforcement
- 3. Street construction and maintenance
- 4. Police Protection
- 5. Fire Suppression and Emergency Medical Services
- 6. Solid Waste Collection

8. AREAWIDE AND NONAREAWIDE TAXES.

The type and rate of each areawide and nonareawide tax proposed to be initially levied by the home rule borough is listed below. To the extent that voter approval is required to grant authority to levy proposed areawide and non-areawide 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, it will be deemed to have been granted upon voter approval of the consolidation.

AREAWIDE:

<u>Tax Type</u>	<u>Tax Rate</u>
Borough Areawide Real and Personal Property	8.7 mills
Sales	3.75%
Areawide Transient Occupancy	7.0%

For a more detailed break-down of taxes, please see the tax table listed at the end of the Petition.

Services Paid for by User Fees:

Residential Electric	\$.0875/kwh \$6.00 Electric Customer Fee/month
Residential Telephone	Basic Tariff @ \$14.00/month
Residential Solid Waste Disposal	\$15.00/month

NONAREAWIDE:

<u>Tax Type/Tax Rate</u>	
Sludge Fee	\$15.00/month for residents outside the Gateway Service Area with septic systems

Other Services Paid for by User Fees:

See Exhibit E-3

9. SERVICE AREAS AND SERVICE AREA TAXES.

Service areas may be established to exercise powers and provide services that will not be exercised or provided on an areawide or nonareawide basis or those that will be provided or exercised on a higher, lower, or otherwise different level than on an areawide or nonareawide basis.

A written metes and bounds legal description of the boundaries of each proposed initial service area of the Municipality is presented as **Exhibit E-1**.

A map showing the boundaries of each service area is presented as **Exhibit E-2**.

A statement of the proposed powers to be exercised, services to be provided and taxes to be levied within each of the proposed service areas is presented as **Exhibit E-3**. To the extent that voter approval is required to establish service areas listed in **Exhibit E-1**, to authorize the exercise of service area powers listed in **Exhibit E-3** and to authorize the levy of service area taxes listed in **Exhibit E-3**, 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 voter approval of the consolidation.

10. TAXABLE VALUE OF REAL AND PERSONAL PROPERTY.

The following is the assessed or estimated value of taxable property in the territory proposed for consolidation:

AREAWIDE:

As of January 1, 2004 the areawide assessed value of taxable property in the territory proposed for consolidation, net of Senior Citizen/Disabled Veteran properties valued at \$71,700,000, is \$914,040,000.

NON-AREAWIDE:

As of January 1, 2004 the nonareawide assessed value of taxable property in the territory proposed for consolidation (i.e., the area of the proposed Municipality exclusive of the City of Saxman), net of Senior Citizen/Disabled Veteran properties valued at \$69,900,000, is \$901,930,000.

SERVICE AREAS:

1. Gateway Service Area (former City): As of January 1, 2004 the assessed value of taxable property in the territory proposed as the Gateway Service Area, net of Senior Citizen/Disabled Veteran properties valued at \$42,500,000, is \$539,980,000.
2. Forest Park Service Area: As of January 1, 2004 the assessed value of taxable property in the Forest Park Service Area, net of Senior Citizen/Disabled Veteran properties valued at \$1,050,000, is \$20,680,000.
3. Gold Nugget Service Area: As of January 1, 2004 the assessed value of taxable property in the Gold Nugget Service Area, net of Senior Citizen/Disabled Veteran

properties valued at \$600,000, is \$7,360,000.

4. Mud Bight Service Area: As of January 1, 2004 the assessed value of taxable property in the Mud Bight Service Area, net of Senior Citizen/Disabled Veteran properties valued at \$0, is \$2,000,000.

5. South Tongass Service Area: As of January 1, 2004 the assessed value of taxable property in the South Tongass Service Area, net of Senior Citizen/Disabled Veteran properties valued at \$10,000,000, is 107,170,000. The South Tongass Service Area includes three other service areas.

6. Waterfall Creek Service Area: As of January 1, 2004 the assessed value of taxable property in the Waterfall Creek Service Area, net of Senior Citizen/Disabled Veteran properties valued at \$700,000, is 9,450,000.

7. Nichols View Service Area: As of January 1, 2004 the assessed value of taxable property in the Nichols View Service Area, net of Senior Citizen/Disabled Veteran properties valued at \$ 0, \$75,000.

8. Deep Bay Service Area: As of January 1, 2004 the assessed value of taxable property in the Deep Bay Service Area, net of Senior Citizen/Disabled Veteran properties valued at \$0, \$206,000.

9. Long Arm Service Area: As of January 1, 2004 the assessed value of taxable property in the Long Arm Service Area, net of Senior Citizen/Disabled Veteran properties valued at \$150,000, is \$843,000.

10. Vallenar Bay Service Area: As of January 1, 2004 the assessed value of taxable property in the Vallenar Service Area, net of Senior Citizen/Disabled Veteran properties valued \$0, is \$896,000.

11. North Tongass Fire & EMS Service Area: As of January 1, 2004 the assessed value of taxable property in the North Tongass Fire & EMS Service Area, net of Senior Citizen/Disabled Veteran properties valued at \$14,900,000 is \$221,110,000. North Tongass Fire & EMS Service Area includes two other service areas.

11. THREE-YEAR OPERATING BUDGET AND FINANCIAL PLAN

Exhibit F presents a proposed three-year operating budget and financial plan for the home rule borough projecting sources of incomes and items of expenditure through the first three full fiscal years of operation.

12. VOTING RIGHTS INFORMATION.

Information relevant to consideration of the petition in terms of the federal Voting Rights Act is provided in **Exhibit G**. This information includes the following:

- (A) The extent to which the territory proposed for consolidation excludes minorities while it includes non-minorities.
- (B) Whether the electoral system of the proposed home rule borough fairly reflects minority voting strength.
- (C) The extent to which minorities participated in the development of the consolidation proposal.
- (D) Information concerning the extent to which English in written and spoken forms is not understood by minorities at least 18 years of age who reside in the territory proposed for consolidation.

13. BRIEF

Exhibit H 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 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.
- 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.
- 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), (c), (d), and 3 AAC 110.050.
- 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.
- 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.

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).

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.

14. CHARTER.

Exhibit I presents the proposed home rule charter for the Municipality. The proposed charter, as may be amended on a reasonable basis by the Local Boundary Commission following a public hearing on this petition, is adopted if voters approve incorporation of the home rule borough through consolidation.

15. TRANSITION PLAN.

Exhibit J presents a practical plan demonstrating the intent and capability of the proposed borough to begin providing essential services as defined by 3AAC 110.990(a)(7) to the territory proposed for consolidation within the shortest practicable time after consolidation. It also provides a practical plan for the assumption of all relevant and appropriate powers, rights, and functions presently exercised by the Ketchikan Gateway Borough and the City of Ketchikan and other relevant entities within the territory proposed for consolidation. Further, it provides a practical plan for the transfer and integration of all relevant and appropriate assets and liabilities of existing municipal governments and other relevant entities within the territory proposed for consolidation.

The plan was developed in consultation with officials of municipal governments and other relevant entities within the territory proposed for incorporation through consolidation. The plan complies with the provisions of AS 29.06.150 and AS 29.06.160.

16. INFORMATION RELATING TO PUBLIC NOTICE

Exhibit K 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.

17. PETITIONER’S REPRESENTATIVE

The Petitioner designates the following individual to act as its primary representative on all matters regarding the proposed consolidation:

Name:	Glen Thompson
Title:	Chair
	Ketchikan Charter Commission
Address:	PO Box 1084
City, State & Zip Code:	Ward Cove, Alaska 99928
Telephone Number:	(907) 225-5561
Facsimile Number:	(907) 247-5561
Email:	glenktn@kpunet.net

18. PETITION INFORMATION & ACCURACY.

An affidavit of the Petitioner’s Representative affirming that the information in this petition is true and accurate is provided in **Exhibit L**.

19. AUTHORIZATION OF THE PETITION.

Pursuant to AS 29.06.090(b)(1) and 3 AAC 110.410(a)(4), this petition for consolidation is initiated by Ketchikan Charter Commission. A certified copy of the initiative approved by the voters to authorize the filing of this petition is provided as **Exhibit M**.

DATED this _____ day of _____, 2004.

By: _____
 Glen Thompson
 Petitioner’s Representative

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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 anticipated fiscal year that begins on July 1, 2006. 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 2004 General Government Annual Budget, the 2004 Ketchikan Public Utilities Annual Budget and the Ketchikan Gateway Borough's Fiscal Year 2005 Budget were used to develop base year revenues and expenditures. For the purposes of the three-year budget, 2004 was selected as the base year. Since the Municipality of Ketchikan's first full year of operation is expected to begin on July 1, 2006, revenues and expenditures were restated in 2006 dollars.
- ✓ Personnel costs were based on the staffing plan included in the petition for

consolidation. The staffing plan projects that 414.28 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 duplicated 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.

- ✓ Since the Consumer Price Index (Anchorage) from 1999 to 2003 averaged 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 two percent (2.0%). This adjustment is expected to cover the cost of step increases and increases in employee benefit costs such as an annual 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.

- ✓ 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 require 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 2004) 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 2004/2005 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.
- ✓ 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%).
- ✓ though 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 one percent (1%). The closure of the Ketchikan Pulp Company and the continuing uncertainty in the local economy are expected to continue 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 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 2006. 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.

- ✓ Several one-time expenses were eliminated from the base year budget in projecting the consolidated three-year budget. Predominantly these were capital expenditures that will not re-occur or did not materialize, for example the \$58 million port expansion and associated bond debt.

Discussion of the Three-Year Budget and Financial Plan

As of December 31, 2003, the City had 21 funds (including KPU) totaling \$29,632,000; two account groups and approximately 315 employees (210 City and 115 KPU). As of June 30, 2004, the Borough had 18 funds totaling \$31,106,000; two account groups and approximately 112 employees. The Ketchikan Gateway Borough School District was not included in the 2004 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. The new government, the Municipality of Ketchikan, will have 35 funds and approximately 414 employees. The consolidation will result in the elimination of approximately 13 paid positions. Included in this total are eight elected positions. The rest of the reduction comes from the reorganization of duplicated positions within the offices of the Manager, Clerk, Attorney, Human Resources, Finance, Public Works, and Data Processing. Total first year savings, including personnel costs and fringe benefits, were estimated to be \$518,000. Since the restructuring of the Municipality of Ketchikan will continue long after the consolidation takes place, additional savings and economies of scale should be achieved. Some functions of the proposed new government that might warrant additional review are *Administration (especially Finance)*, Public Works, the utilities and Community Development.

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.

For clarity, this financial plan deals primarily with the fund balances of the operating entities of the former Borough and City of Ketchikan. The associated fixed assets and liabilities associated with each fund will be allocated to each fund based upon the fund's purpose. For example, the City of Ketchikan's fire and police stations and associated equipment and associated debt will be transferred to the Gateway Service Area.

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. Since a large portion of the revenue and expenses from the former City of Ketchikan are being transferred to the new Gateway Service Area, 100% of the City of Ketchikan's General Fund balance will be transferred to a special revenue fund established to account for the financial resources of the Gateway Service Area which will be created at the time consolidation occurs. It is anticipated that the new Assembly may increase or decrease this allocation based on actual assets transferred and/or deferred maintenance or liabilities.

The Gateway 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 (36% of total revenues), sales taxes (25%), interdepartmental charges (16%), charges for services (10%) and intergovernmental revenues (4%). The Municipality of Ketchikan will assess a payment in lieu of taxes against the Ketchikan Public Utilities and Port Enterprise Funds. The assessment will amount to approximately seven percent (7%) of total revenues. By the third year of the three-year budget, general fund revenues are projected to total \$ 23.3 million.

Expenditures will include Mayor and Municipal Assembly, Attorney, Clerk, Manager, Community Development, Finance, Assessment, Animal Protection, Library, Museum, Parks & Recreation, Public Health, Public Works, Cemetery Maintenance and Operations, Education, and Non-Departmental functions. Under consolidation, Library, Museum, Public Health, and Cemetery functions will be funded on an areawide basis. Prior to consolidation, these functions were funded either on a nonareawide basis or solely by the

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City. By the third year of the three-year budget, general fund expenditures are projected to total \$ 23.3 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 2004 spending plan for its general fund will require a draw-down of general fund reserves in the amount of \$877,000. The Borough's 2005 spending plan required a draw-down of general fund reserves in the amount of \$54,000. The combined deficits total \$931,000. 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 would need to be addressed to ensure that the financial plan for the proposed consolidated Municipality was fiscally responsible.

The restructuring of the personnel costs and elimination of one-time expenses served to eliminate most of the projected operating deficit. This is predicated on maintaining the "status quo" on interdepartmental charges and Payments in Lieu of Taxes. Under this methodology, no change in the property and minimal changes in sales taxes were required. It is noted, however, that the Gateway Service Area will accumulate approximately \$130,000 per year in surplus that could lead to property tax relief in that service area in the future.

As previously noted, the assets and the liabilities of the Borough General Fund will be remitted to the Municipality of Ketchikan upon consolidation. Additionally, the Borough's Nonareawide Library Fund will be remitted to the Municipality of Ketchikan's General Fund upon consolidation, closing out that fund since operation of the Library will become an areawide function. The Municipality of Ketchikan's General Fund will thus have a starting balance of approximately \$2,429,835. The disposition of the assets and liabilities of the City General Fund is outlined under the discussion of the Gateway Service Area.

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Deleted: At June 30, 2004, the Borough General Fund is projected to have an unreserved fund balance of \$1,346,000. The City of Ketchikan General Fund is projected to have an unrestricted balance of \$4,042,000 as of 12/31/05 and 20% of this fund, or \$808,400, will be remitted to the Municipality of Ketchikan upon consolidation.

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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 20 and 17 special revenue funds respectively (excluding Ketchikan Public Utilities and the School District). 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 new special revenue fund to account for the Gateway Service Area. The special revenue funds of the Municipality of Ketchikan will be as follows:

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Gateway 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. This service area will provide building inspection services, fire and police protection services, and certain public works services such as engineering, streets and roads, garbage collection and vehicle & building maintenance. (The commission noted that vehicle and building maintenance are also performed by the Municipality through it's General Fund and a future consolidation of this function may lead to cost savings).

Revenues earned by the Gateway Service Area will come primarily from property taxes (31% of total revenues), sales taxes (52%) and charges for services (17%). The sales tax will consist of a one percent (1%) tax for public safety and a one and one and one-half percent tax (1.5%) for public works.

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Upon consolidation, 80% of the fund balance of the former City General Fund and the entire balance of the City's Public Works Sales Tax Fund will be remitted to the Gateway Service Area. The City is projecting that at December 31, 2004, its General Fund and Public Works Sales Tax Funds will have unreserved fund balances of \$4,042,000 and \$5,090,000, 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 Gateway 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.

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Hospital Sales Tax Fund: This is an existing fund that 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 Fund, the Mental Health Fund, and the Substance Abuse Fund. 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.

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At December 31, 2004, this fund was projected to have an unreserved fund balance of \$1,032,000.

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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 transient occupancy tax. The City currently assesses a seven percent (7%) tax and the Borough assesses a four percent (4%) tax. Upon consolidation, this tax will be assessed at seven percent (7%) 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.

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At December 31, 2004, this fund was projected to have an unreserved fund balance of \$5,000.

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Recreation Sales Tax Fund: This is an existing fund that was established to provide 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, 2006, this fund is projected to have an unreserved fund balance of \$,732,343.

Solid Waste Services Fund: This is an existing fund that 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 assets and liabilities will be transferred to the Gateway Service Area to provide residential and commercial collection services to subscribers located within the Gateway Service Area. The fund balance of this fund will be remitted to the Municipality of Ketchikan for the benefit of users of solid waste disposal services and to pay for landfill closure and related future liabilities that are being assumed by the Municipality at large.

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At December 31, 2004, this fund was projected to have an unreserved fund balance of \$2,863,000

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Wastewater Services Fund: This is an existing fund that 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. 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, however the funds from the former City of Ketchikan will be reserved for the Gateway Service Area. *The funds reserved for the GSA may be combined with other wastewater funds if the Assembly elects to combine the wastewater functions.*

At December 31, 2006, this fund is projected to have an unreserved fund balance of \$ 13,479,378.

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Economic and Parking Development Fund: This is an existing fund that 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, however, the funds from the former City of Ketchikan will be* reserved for the Gateway Service Area.

At December 31, 2004, this fund was projected to have an unreserved fund balance of \$80,000.

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Ketchikan Boat Harbor Fund: This is an existing fund that 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. 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, 2004, this fund was projected to have an unreserved fund balance of \$128,000.

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Mental Health 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 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 \$335,000 to \$350,000 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 mental health services.

At December 31, 2004, this fund was projected to have an unreserved fund balance of \$59,000.

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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 \$515,000 and \$535,000 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, 2004, this fund was projected to have an unreserved fund balance of \$205,000.

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Special Assessment Guarantee Fund: This is an existing fund that 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 are 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 Gateway Service Area because the original source of funding came from the former City General Fund.

At December 31, 2004, this fund was projected to have an unreserved fund balance of \$90,000.

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US Marshall Property Seizure Fund: This is an existing fund that was established by the City to account for all of the financial resources derived from the sale of assets that were used in criminal activities and seized by federal law enforcement officers. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan.

At December 31, 2004, this fund was projected to have an unreserved fund balance of \$9,000.

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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, 2006, this fund is projected to have a zero unreserved fund balance.

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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, 2004, this fund was projected to have an unreserved fund balance of \$52,000.

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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, 2004, this fund was projected to have an unreserved fund balance of \$68,000.

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Cemetery Endowment 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 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, 2004, this fund was projected to have an unreserved fund balance of \$15,000.

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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 since the fund is

currently over committed. 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.

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At June 30, 2006, this fund is projected to have an unreserved fund balance of \$1,134,000.

Land Trust 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. Operating transfers have been programmed to provide the General Fund with an operating subsidy. Upon consolidation, the assets and liabilities of this fund will be remitted to the Municipality of Ketchikan to be used for areawide purposes.

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At June 30, 2006, this fund is projected to have an unreserved fund balance of \$6,676,256.

North Tongass Fire and EMS 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 and EMS services. Revenues earned by this fund come primarily from property taxes. Expenditures are currently limited to those required for providing adequate fire protection and EMS 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 North Tongass Service Area.

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At June 30, 2006, this fund is projected to have an unreserved fund balance of \$108,195.

South Tongass 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 water service, fire protection and EMS services. Revenues earned by this fund come primarily from property taxes. Expenditures are currently limited to those required for providing water service and adequate fire protection and EMS 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 South Tongass Service Area.

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At June 30, 2006, this fund is projected to have an unreserved fund balance of \$93,669.

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

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maintenance services. Revenues earned by this fund come primarily from other revenues. Minimal expenditures have been programmed for water and maintenance. 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, 2006, this fund was projected to have an unreserved fund balance of \$ 9,610.

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 road construction & maintenance services. Revenues earned by this fund come primarily from charges for services. Expenditures are currently limited to those required for providing 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.

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At June 30, 2006, this fund is projected to have an unreserved fund balance of \$ 20,726.

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. Some residents of the service area have expressed an interest in terminating this service area.

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Revenues earned by this fund come primarily from charges for services. 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, 2006, this fund is projected to have an unreserved fund balance of \$ 25,430.

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 road construction & maintenance services. Revenues earned by this fund come primarily from property taxes. Expenditures are currently limited to those required for providing 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.

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At June 30, 2006, this fund is projected to have an unreserved fund balance of \$ 72,419.

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 road construction & maintenance services. Revenues earned by this fund come primarily from charges for services. Expenditures are currently limited to those required for providing 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 \$ 2,100 and \$ 2,200. The three-year budget includes a modest increase in charges for services to keep the fund solvent. 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, 2006, this fund is projected to have an unreserved fund balance of \$ 6,419.

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 each have a debt service fund. 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 debt service funds of the Municipality of Ketchikan are as follows:

General Obligation Bond Debt Service Fund: This is an existing fund that 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:

- Hospital Construction, Series 1997
- Indoor Recreation Center, Series 1996
- School Improvements, Series 1999 (Valley Park/Houghtaling)
- School Replacement, Series 2000 (Fawn Mountain)
- School Improvements, Series 2003 (Schoenbar)

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:

Hospital Sales Tax Fund: to provide for the debt service of 100% of Hospital

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

Additionally there is a .5% sales tax passed by the voters effective July 1, 2004 to fund school bonds and insurance that is accounted for in this fund. There are two school bond issues approved by the voters in October 2004 for increased costs of remodeling Schoenbar Middle School and construction of a new elementary school, \$4.0 million and \$3.9 million respectively. The three-year budget plan provides for their debt service expenditures.

The City of Ketchikan had two bond propositions on the ballot in October 2004. One was a \$5.5 million general obligation bond to pay for sewer repair and replacement. This bond will be paid from revenues of the Wastewater Enterprise Fund. The other was a \$15 million KPU revenue bond to acquire telecommunication, electric and water facilities to be repaid from user fees.

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, for instance there is an approximate \$1.2 million fire equipment bond in the North Tongass Fire and EMS fund that is paid from that fund's revenues. 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, 2004, the City's fund is projected to have a zero unreserved fund balance and on June 30, 2006 the Borough's fund is projected to have an unreserved balance of \$ 273,254.

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 has two capital projects funds. Upon consolidation, the Municipality of Ketchikan will have two capital projects funds.

The capital projects funds of the Municipality of Ketchikan are 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 plans 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 Gateway

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At December 31, 2004, this fund was projected to have an unreserved fund balance of \$1,306,500.

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Community Facilities Development Fund: This is an existing fund that was established by the City to account for financial resources designated for the development and construction of future facilities such as a new library. Revenues earned by this fund come primarily from interest earned on investments and transfers from other funds. No expenditures have been programmed for the three-year budget period because the City's plans 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 Gateway Service Area.

At December 31, 2004, this fund was projected to have an unreserved fund balance of \$267,000.

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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 that 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 two 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, 2004, the City's Self-Insurance Fund was projected to have an unreserved fund balance of \$1,597,000. At June 30, 2006, the Borough is projecting an unreserved

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fund deficit balance of (\$ 401,699) for its Self-Insurance Funds. The combined unreserved fund balance will total approximately \$ 1,195,301.

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The City of Ketchikan’s staff reviewed a rough draft of the commission’s three-year budget plan and expressed concern that the 2% increase in insurance costs was insufficient. The commission discussed these concerns at a meeting on August 27, 2004.

The City’s memorandum identified a predicted 10% increase in health and liability insurance and a 26% increase in PERS costs. The commission found the following:

- These insurance and PERS costs will create a problem regardless of whether the community consolidates: revenues will have to increase OR costs will have to decrease OR services will have to be adjusted. *The decision on which of the options is chosen will need to be made by the political body at the time of consolidation.*
- It is likely that the two governments will have to address this problem prior to a vote on consolidation.
- There is a 20% increase built into the City’s base year budget that is escalated by 2% each year. There is no way to measure or accurately predict what these costs will be. Considering that the cost of insurance has gone up over 125% in the past four years, it is likely that it will plateau soon since the costs cannot continue to escalate at these levels ad infinitum.
- No efficiencies have been built into the three-year budget for years two and three. After the initial year of consolidation, the workload should diminish significantly and some reduction in labor costs should be achieved whether through attrition or otherwise. This would likely be enough to mitigate this issue.
- The Charter Commission’s budget proposes to the LBC shows that the consolidated government would have the human and financial resources to provide municipal services but there is no way to accurately predict changes of this type over so many years.
- Some officials have questioned the 26% increase in PERS in that this number has been discussed as a five-year increase, not an annual one.
- Consolidation is not going to, by itself, stop these sorts of costs however a slightly larger entity might be more likely to bargain for lower rates.

In conclusion, should the City’s figures prove to be correct, either the revenues will have to be increased or the costs will have to be reduced to cover them whether the two governments consolidate or not. Consolidation might provide an avenue to mitigate the effects of these cost increases.

The costs predicted by the City using 20% increase per year are summarized below:

	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Insurance	195,000	307,500	430,000
Health Insurance	181,000	279,000	367,000

TOTAL	376,000	586,500	797,000
Ketchikan Public Utilities			
General Insurance	195,000	307,500	430,000
Health Insurance	163,000	258,000	349,000
TOTAL	358,000	565,500	779,000

Generally speaking, 1/2% of areawide sales tax generates \$1 million in revenue and 1/2 mil of property tax generates \$500,000.

The City provided detailed budget information to the KCC on September 2, 2005. The KCC chose to update our budget documents to include a reasonable estimate of the cost increases. The increase in costs creates a deficit of approximately \$2.1 million annually.

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, 2004, this fund was projected to have an equity of \$5,883,000.

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 T, U and V. 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 initially only be offered within the Ketchikan Service Area by KPU.

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At December 31, 2004, this fund was projected to have an equity of \$7,810,000.

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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 \$92,000 and \$96,000. 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, 2006, these combined funds are estimated to total an equity of \$ 5,375,742.

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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, 2002, the City's General Fixed Assets Account Group was projected to

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have a balance of \$ 87,922,141. As of June 30, 2002, the Borough had a balance of \$85,054,254. The combined balance of general fixed assets total~~ed~~ approximately \$ 173 million.

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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, 2002, the City's General Long-Term Debt Account Group had a balance of \$ 11,933,620. As of June 30, 2002 the Borough had a balance of \$20,655,000. The combined balance of general long-term debt total~~ed~~ approximately \$ 33 million.

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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. Future savings are anticipated after the initial year due to reduced workloads and efficiencies.

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~~Deleted:~~ The consolidation is projected to save approximately \$500,000 during the Municipality of Ketchikan's first year of operation.

Sales taxes remain substantially unchanged except for the modification of the one percent (1%) Hospital Sales Tax that will change from a City sales tax to an areawide sales tax and an increase in the non-city Transient Occupancy Tax from 4 to 7%. These tax rate changes will increase revenues by approximately \$300,000 in the first year.

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~~Deleted:~~ ; a modification of .25% of the 1.5% Public Works sales tax to an areawide sales tax;

Property taxes have been increased by 2-mils areawide to pay for anticipated increased PERS and insurance costs. Without consolidation, the City and Borough will have to address these increased costs by increasing taxes, decreasing services, utilizing reserves, garnering State assistance or some combination thereof. Raising areawide property taxes was the simplest method to resolve the budget deficit AND IS SUBJECT TO CHANGE.

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The three-year annual budget compiled for the Municipality of Ketchikan is essentially 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, no changes in services were programmed.

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~~Deleted:~~ Under an early budget scenario, the entire 1.5% Public Works sales tax and Public Safety sales taxes were accounted for within the newly created Gateway Service area. Some of the Public Works functions, such as maintaining the Library and Museum, etc., have been transferred to the General Fund Public Works Department. It was noted that the costs had been transferred without a corresponding allocation in the Public Works Sales Tax revenues.

With the exception of a few 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 toward further reducing the cost of local government and reducing the local tax burden.

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Deleted: Therefore, in the final proposed consolidated budget, the tax rates to be established and all related references in the draft documents were revised to show a .25% decrease in the Gateway Service Area Public Works sales tax and a concurrent increase in the areawide general sales tax. This adjustment had the effect of transferring approximately \$500,000 of revenue from the Gateway Service Area to the consolidated General Fund and increased overall sales taxes by approximately \$100,000 in order to fund Public Works maintenance and operations on assets that are to be transferred from the former City of Ketchikan to the consolidated Municipality.

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
Disposition of City and Borough Assets and Liabilities

EXHIBIT F-5
Year One Comparison
PERS EFFECTS to the Budget
Municipality of Ketchikan

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Proposed Staffing Modifications
Municipality of Ketchikan

**EXHIBIT F-1 Three-Year Annual Budget
Municipality of Ketchikan**

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Municipality of Ketchikan, Alaska			
Three Year Annual Budget			
Exhibit F-1			
PERS Adjusted	Year	Year	Year
Page 1 of 13	One	Two	Three
	2006-07	2007-08	2008-09
General Fund			
Revenues			
Taxes			
Real and business property taxes	10,371,431	10,475,146	10,579,897
Senior citizen local contribution	(503,294)	(513,359)	(523,627)
Sales taxes	5,154,182	5,308,808	5,468,072
All other taxes	(282,341)	(287,988)	(293,748)
Penalties and interest	129,298	130,591	131,897
Total taxes	14,869,276	15,113,196	15,362,491
Payment in lieu of taxes	1,408,806	1,436,982	1,465,721
Licenses and permits	2,549	2,600	2,652
Intergovernmental revenues	731,347	731,347	731,347
Charges for services	1,866,234	1,903,559	1,941,630
Fines and forfeitures	59,166	59,757	60,355
Interdepartmental revenues	1,900,419	1,938,427	1,977,196
Other revenues	199,341	203,327	207,394
Total revenues	21,037,137	21,389,196	21,748,786
Expenditures			
Mayor and assembly	527,732	549,369	560,356
Municipal attorney	518,147	539,391	550,179
Municipal clerk	336,552	350,351	357,358
Manager	1,006,039	1,047,286	1,068,232
Planning and zoning	632,092	658,007	671,168
Finance	2,824,852	2,940,671	2,999,484
Assessment & Risk Mgmt	510,360	531,284	541,910
911 emergency dispatch	606,861	631,743	644,378
Animal protection	306,890	319,472	325,862
Library	761,127	792,333	808,180
Museum	791,150	823,587	840,059
Civic Center	311,675	324,454	330,943
Recreation	1,316,750	1,370,737	1,398,152
Public health	85,394	88,895	90,673
Public works - cemetery	68,922	71,748	73,183
Public works - maintenance and operations	1,279,285	1,331,736	1,358,371
Public works - buildings	195,832	203,861	207,939
Transit	564,276	587,411	599,159
Education	8,399,788	8,744,179	8,919,063
Grants	110,415	110,415	110,415
Non-departmental, Interfund & Automation	140,538	146,300	149,226
Capital Projects, Non City Svc	630,359	630,359	630,359
Total expenditures	21,925,036	22,793,591	23,234,647
Excess (deficiency) of revenues over (under) expenditures	(887,899)	(1,404,395)	(1,485,861)
Transfers from other funds	1,524,186	1,554,670	1,585,763
Transfers to other funds	(130,050)	(132,651)	(135,304)
Net transfers (to) from other funds	1,394,136	1,422,019	1,450,459
General Fund Surplus	506,237	17,624	(35,402)

Municipality of Ketchikan, Alaska
Three Year Annual Budget
Exhibit F-1

PERS Adjusted

Page 2 of 13

	Year One 2006-07	Year Two 2007-08	Year Three 2008-09
Gateway Service Area (Former City of Ketchikan)			
Revenues			
Taxes			
Real and business property taxes	3,089,416	3,120,310	3,151,513
Senior citizen local contribution	(273,625)	(279,098)	(284,680)
Sales taxes, PS 1.0%	2,365,807	2,436,781	2,509,885
Sales taxes, PW 1.5%	3,578,416	3,685,768	3,796,341
Penalties and Interest	49,985	50,485	50,990
Total taxes	8,809,998	9,014,246	9,224,049
Payments in Lieu of Taxes (PILT)	782,381	798,028	813,989
Licenses and permits	41,616	42,448	43,297
Charges for services	322,524	328,974	335,554
Solid Waste Collection	840,562	848,968	857,458
Fines and forfeitures	117,312	118,485	119,669
Other revenues	67,626	68,978	70,358
Total revenues	10,982,018	11,220,128	11,464,374
Operating Expenditures			
Fire	1,949,759	2,029,699	2,070,293
Police	3,478,676	3,621,302	3,693,728
Public works - engineering	849,668	884,504	902,194
Public works - streets	1,304,276	1,357,752	1,384,907
Public works - garage	454,314	472,941	482,399
Public works - buildings	65,277	67,954	69,313
Public works - solid waste collection	718,069	747,510	762,460
Capital Expenditures			
Fire	147,000	147,000	147,000
Police	29,950	29,950	29,950
Engineering	38,000	38,000	38,000
Streets	767,000	767,000	767,000
Building Maintenance	35,620	35,620	35,620
Total expenditures	9,837,609	10,199,231	10,382,864
Gateway Service Area Surplus	1,144,409	1,020,897	1,081,510

Municipality of Ketchikan, Alaska			
Three Year Annual Budget			
Exhibit F-1			
PERS Adjusted	Year	Year	Year
Page 3 of 13	One	Two	Three
	2006-07	2007-08	2008-09
Hospital Sales Tax Fund			
Revenues			
Taxes			
Sales taxes	2,589,832	2,667,527	2,747,553
Other revenues	15,302	15,455	15,609
Total revenues	2,605,134	2,682,981	2,763,162
Expenditures			
Public Health			
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	2,605,134	2,682,981	2,763,162
Transfers from other funds			
Transfers to other funds	(2,663,424)	(2,716,692)	(2,771,026)
Net transfers (to) from other funds	(2,663,424)	(2,716,692)	(2,771,026)
Hospital Sales Tax Fund Surplus	(58,290)	(33,711)	(7,865)
Transient Occupancy Tax Fund			
Revenues			
Taxes			
Transient occupancy	380,688	392,109	403,872
Total revenues	380,688	392,109	403,872
Expenditures			
Administration	268,158	273,521	278,991
Total expenditures	268,158	273,521	278,991
Excess (deficiency) of revenues over (under) expenditures	112,530	118,588	124,880
Transfers from other funds			
Transfers to other funds	(114,444)	(116,733)	(119,068)
Net transfers (to) from other funds	(114,444)	(116,733)	(119,068)
Transient Occupancy Tax Fund Surplus	(1,914)	1,855	5,813

Municipality of Ketchikan, Alaska
Three Year Annual Budget

Exhibit F-1

PERS Adjusted

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	Year One 2006-07	Year Two 2007-08	Year Three 2008-09
Recreation Sales Tax Fund			
Revenues			
Taxes			
Sales taxes	1,034,086	1,065,108	1,097,062
Total revenues	<u>1,034,086</u>	<u>1,065,108</u>	<u>1,097,062</u>
Expenditures			
Recreation	1,089,914	1,111,712	1,133,946
Total expenditures	<u>1,089,914</u>	<u>1,111,712</u>	<u>1,133,946</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(55,828)</u>	<u>(46,604)</u>	<u>(36,885)</u>
Transfers from other funds	-	-	-
Transfers to other funds			
Net transfers (to) from other funds	<u>0</u>	<u>0</u>	<u>0</u>
Recreation Sales Tax Fund Surplus	<u>(55,828)</u>	<u>(46,604)</u>	<u>(36,885)</u>
Solid Waste Services Fund			
Revenues			
Charges for services - Disposal	1,781,165	1,816,788	1,853,124
Other revenues	31,212	31,836	32,473
Total revenues	<u>1,812,377</u>	<u>1,848,624</u>	<u>1,885,597</u>
Expenditures			
Public works - solid waste Disposal	1,711,321	1,745,547	1,780,458
Capital Expenditures	143,000	143,000	143,000
Total expenditures	<u>1,854,321</u>	<u>1,888,547</u>	<u>1,923,458</u>
Solid Waste Services Surplus	<u>(41,944)</u>	<u>(39,923)</u>	<u>(37,861)</u>
Wastewater Services Fund			
Revenues			
Charges for services	2,622,014	2,674,454	2,727,943
Other revenues	15,606	15,918	16,236
Total revenues	<u>2,637,620</u>	<u>2,690,372</u>	<u>2,744,180</u>
Expenditures			
Public works - wastewater	2,134,796	2,222,322	2,266,769
Capital Expenditures	610,250	610,250	610,250
Total expenditures	<u>2,745,046</u>	<u>2,832,572</u>	<u>2,877,019</u>
Wastewater Services Fund Surplus	<u>(107,426)</u>	<u>(142,200)</u>	<u>(132,839)</u>

Municipality of Ketchikan, Alaska			
Three Year Annual Budget			
Exhibit F-1			
PERS Adjusted	Year	Year	Year
Page 5 of 13	One	Two	Three
	2006-07	2007-08	2008-09
GSA Economic & Parking Development Fund			
Revenues			
Other revenues	1,200	1,200	1,200
Total revenues	1,200	1,200	1,200
Expenditures	-	-	-
Total expenditures	-	-	-
Econ & Parking Develop Fund Surplus	1,200	1,200	1,200
Areawide Economic Development Fund			
Revenues			
Other revenues	571,500	571,500	571,500
Total revenues	571,500	571,500	571,500
Expenditures	-	-	-
Total expenditures	-	-	-
Areawide Economic Development Fund	571,500	571,500	571,500
Ketchikan Boat Harbor Fund			
Revenues			
Intergovernmental revenues	15,000	15,000	15,000
Charges for services	866,653	883,986	901,666
Fines & forfeitures	1,530	1,545	1,561
Interdepartmental revenues	3,745	3,820	3,897
Other revenues	2,081	2,122	2,165
Total revenues	889,010	906,474	924,289
Expenditures			
Harbors	865,840	883,156	900,820
Capital Expenditures	97,500	97,500	97,500
Total expenditures	963,340	980,656	998,320
Excess (deficiency) of revenues over (under) expenditures	(74,330)	(74,182)	(74,031)
Transfers from other funds	78,030	79,591	81,182
Transfers to other funds			
Net transfers (to) from other funds	78,030	79,591	81,182
Ketchikan Boat Harbor Fund Surplus	3,700	5,409	7,151

**Municipality of Ketchikan, Alaska
Three Year Annual Budget**

Exhibit F-1

PERS Adjusted

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	Year One 2006-07	Year Two 2007-08	Year Three 2008-09
Mental Health Fund			
Revenues			
Intergovernmental revenues	810,231	818,333	826,516
Charges for services	718,916	733,295	747,961
Other revenues	251,350	256,377	261,505
Total revenues	1,780,497	1,808,005	1,835,982
Expenditures			
Mental health	2,102,332	2,144,379	2,187,266
Total expenditures	2,102,332	2,144,379	2,187,266
Excess (deficiency) of revenues over (under) expenditures	<u>(321,835)</u>	<u>(336,374)</u>	<u>(351,285)</u>
Transfers from other funds	338,130	344,893	351,790
Transfers to other funds	-	-	-
Net transfers (to) from other funds	338,130	344,893	351,790
Mental Health Fund Surplus	16,295	8,519	506
Substance Abuse Fund			
Revenues			
Intergovernmental revenues	550,211	555,713	561,271
Charges for services	276,746	282,281	287,927
Other revenues	190,486	194,296	198,181
Total revenues	1,017,444	1,032,290	1,047,379
Expenditures			
Substance abuse	1,512,711	1,542,966	1,573,825
Total expenditures	1,512,711	1,542,966	1,573,825
Excess (deficiency) of revenues over (under) expenditures	<u>(495,268)</u>	<u>(510,675)</u>	<u>(526,446)</u>
Transfers from other funds	514,998	525,298	535,804
Transfers to other funds	-	-	-
Net transfers (to) from other funds	514,998	525,298	535,804
Substance Abuse Fund Surplus	19,730	14,623	9,358

Municipality of Ketchikan, Alaska
Three Year Annual Budget
Exhibit F-1

PERS Adjusted
Page 7 of 13

	Year One 2006-07	Year Two 2007-08	Year Three 2008-09
Special Assessment Guarantee Fund			
Revenues			
Other revenues	2,550	2,576	2,602
Total revenues	2,550	2,576	2,602
Expenditures	-	-	-
Total expenditures	-	-	-
Special Assessment Guarantee Fund Surplus	2,550	2,576	2,602
US Marshall Property Seizure Fund			
Revenues			
Other revenues	125	125	125
Total revenues	125	125	125
Expenditures	-	-	-
Total expenditures	-	-	-
US Marshall Property Seizure Fund Surplus	125	125	125
State and Federal Grant Fund			
Revenues			
Intergovernmental	25,000	25,000	25,000
Total revenues	25,000	25,000	25,000
Expenditures			
Public health	25,000	25,000	25,000
Total expenditures	25,000	25,000	25,000
State and Federal Grant Fund Surplus	0	0	0
Cemetery O & M Fund			
Revenues			
Charges for services	7,500	7,500	7,500
Total revenues	7,500	7,500	7,500
Expenditures			
Public works - cemetery	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	7,500	7,500	7,500
Transfers from other funds			
Transfers to other funds	(5,202)	(5,306)	(5,412)
Net transfers (to) from other funds	(5,202)	(5,306)	(5,412)
Cemetery O & M Fund Surplus	2,298	2,194	2,088

Municipality of Ketchikan, Alaska
Three Year Annual Budget
Exhibit F-1

PERS Adjusted

Page 8 of 13

	Year One 2006-07	Year Two 2007-08	Year Three 2008-09
Cemetery Development Fund			
Revenues			
Charges for services	15,000	15,000	15,000
Other revenues	1,900	1,900	1,900
Total revenues	16,900	16,900	16,900
Expenditures			
Capital Expenditures	25,000	25,000	25,000
Total expenditures	25,000	25,000	25,000
Cemetery Development Fund Surplus	(8,100)	(8,100)	(8,100)
Cemetery Endowment Fund			
Revenues			
Charges for services	2,500	2,500	2,500
Total revenues	2,500	2,500	2,500
Expenditures			
Public works - cemetery	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	2,500	2,500	2,500
Transfers from other funds			
Transfers to other funds	(5,202)	(5,306)	(5,412)
Net transfers (to) from other funds	(5,202)	(5,306)	(5,412)
Cemetery Endowment Fund Surplus	(2,702)	(2,806)	(2,912)
Community Facilities Development Fund			
Revenues			
Other revenues	2,000	2,000	2,000
Total revenues	2,000	2,000	2,000
Expenditures			
Economic development	-	-	-
Total expenditures	-	-	-
Community Facilities Development Fund Surplus	2,000	2,000	2,000

Municipality of Ketchikan, Alaska
Three Year Annual Budget
Exhibit F-1

PERS Adjusted

Page 9 of 13

	Year One 2006-07	Year Two 2007-08	Year Three 2008-09
Land Trust Repair & Maint Fund			
Revenues			
Other revenues	1,110,839	1,121,947	1,133,167
Total revenues	<u>1,110,839</u>	<u>1,121,947</u>	<u>1,133,167</u>
Expenditures			
Land Trust	738,065	752,826	767,883
Total expenditures	<u>738,065</u>	<u>752,826</u>	<u>767,883</u>
Excess (deficiency) of revenues over (under) expenditures	<u>372,774</u>	<u>369,121</u>	<u>365,284</u>
Transfers from other funds			
Transfers to other funds	(364,140)	(371,423)	(378,851)
Net transfers (to) from other funds	<u>(364,140)</u>	<u>(371,423)</u>	<u>(378,851)</u>
Land Trust Repair & Maint Fund Surplus	<u>8,634</u>	<u>(2,302)</u>	<u>(13,567)</u>
North Tongass Fire & EMS Fund			
Revenues			
Taxes	495,772	505,688	515,802
Total revenues	<u>495,772</u>	<u>505,688</u>	<u>515,802</u>
Expenditures			
Fire Protection	473,690	493,111	502,973
Total expenditures	<u>473,690</u>	<u>493,111</u>	<u>502,973</u>
North Tongass Fire & EMS Surplus	<u>22,082</u>	<u>12,577</u>	<u>12,828</u>
South Tongass Service Area			
Revenues			
Taxes	446,273	455,199	464,303
Total revenues	<u>446,273</u>	<u>455,199</u>	<u>464,303</u>
Expenditures			
Fire Protection & EMS	418,998	436,177	444,900
Total expenditures	<u>418,998</u>	<u>436,177</u>	<u>444,900</u>
South Tongass Service Area Surplus	<u>27,276</u>	<u>19,022</u>	<u>19,403</u>
Nichols View Service Area			
Revenues			
Other revenues	400	400	400
Total revenues	<u>400</u>	<u>400</u>	<u>400</u>
Expenditures			
Water	500	500	500
Total expenditures	<u>500</u>	<u>500</u>	<u>500</u>
Nichols View Service Area Surplus	<u>(100)</u>	<u>(100)</u>	<u>(100)</u>

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	Year One 2006-07	Year Two 2007-08	Year Three 2008-09
Waterfall Service Area			
Revenues			
Intergovernmental revenues			
Charges for services	5,720	5,720	5,720
Total revenues	<u>5,720</u>	<u>5,720</u>	<u>5,720</u>
Expenditures			
Road maintenance	8,600	8,600	8,600
Total expenditures	<u>8,600</u>	<u>8,600</u>	<u>8,600</u>
Waterfall Service Area Surplus	<u><u>(2,880)</u></u>	<u><u>(2,880)</u></u>	<u><u>(2,880)</u></u>
Mud Bight Service Area			
Revenues			
Charges for services	8,700	8,700	8,700
Total revenues	<u>8,700</u>	<u>8,700</u>	<u>8,700</u>
Expenditures			
Road maintenance	500	500	500
Total expenditures	<u>500</u>	<u>500</u>	<u>500</u>
Mud Bight Service Area Surplus	<u><u>8,200</u></u>	<u><u>8,200</u></u>	<u><u>8,200</u></u>
Forest Park Service Area			
Revenues			
Taxes	54,139	55,222	56,327
Total revenues	<u>54,139</u>	<u>55,222</u>	<u>56,327</u>
Expenditures			
Road maintenance	60,822	62,038	63,279
Total expenditures	<u>60,822</u>	<u>62,038</u>	<u>63,279</u>
Forest Park Service Area Surplus	<u><u>(6,682)</u></u>	<u><u>(6,816)</u></u>	<u><u>(6,952)</u></u>

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	Year One 2006-07	Year Two 2007-08	Year Three 2008-09
Gold Nugget Service Area			
Revenues			
Charges for services	7,982	8,141	8,304
Total revenues	7,982	8,141	8,304
Expenditures			
Road maintenance	10,175	10,379	10,586
Total expenditures	10,175	10,379	10,586
Gold Nugget Service Area Surplus (Deficit)	(2,194)	(2,237)	(2,282)
GO Debt Service Fund (School Bonds)			
Revenues			
Intergovernmental revenues	3,518,832	3,598,521	3,680,085
Total revenues	3,518,832	3,598,521	3,680,085
Expenditures			
Debt service	4,419,378	4,507,766	4,597,921
Total expenditures	4,419,378	4,507,766	4,597,921
Excess (deficiency) of revenues over (under) expenditures	(900,547)	(909,244)	(917,837)
Transfers from other funds	899,946	917,945	936,304
Transfers to other funds	-	-	-
Net transfers (to) from other funds	899,946	917,945	936,304
GO Debt Service Fund Surplus	(601)	8,700	18,467
Major Capital Improvements Fund			
Revenues			
Other revenues	68,347	69,030	69,720
Total revenues	68,347	69,030	69,720
Expenditures			
Total expenditures	-	-	-
Major Capital Improvements Fund Surplus	68,347	69,030	69,720

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	Year One 2006-07	Year Two 2007-08	Year Three 2008-09
Self Insurance Fund			
Revenues			
Interdepartmental revenues	3,373,434	3,440,902	3,509,720
Other revenues	28,091	28,653	29,226
Total revenues	<u>3,401,524</u>	<u>3,469,555</u>	<u>3,538,946</u>
Expenditures			
Non-departmental	3,489,174	3,663,633	3,846,815
Total expenditures	<u>3,489,174</u>	<u>3,663,633</u>	<u>3,846,815</u>
Excess (deficiency) of revenues over (under) expenditures	(87,650)	(194,078)	(307,869)
Transfers from other funds			
Transfers to other funds	(72,828)	(74,285)	(75,770)
Net transfers (to) from other funds	<u>(72,828)</u>	<u>(74,285)</u>	<u>(75,770)</u>
Self Insurance Fund Surplus	<u>(160,478)</u>	<u>(268,363)</u>	<u>(383,639)</u>
Port Fund			
Revenues			
Charges for services	8,002,369	8,242,440	8,489,713
Other revenues	55,141	56,244	57,369
Total revenues	<u>8,057,510</u>	<u>8,298,684</u>	<u>8,547,082</u>
Expenditures			
Port	1,743,336	1,814,813	1,851,109
Capital Expenditures	334,500	334,500	334,500
Total expenditures	<u>2,077,836</u>	<u>2,149,313</u>	<u>2,185,609</u>
Port Fund Surplus	<u>5,979,674</u>	<u>6,149,371</u>	<u>6,361,473</u>
Ketchikan Public Utilities			
Revenues			
Charges for services	30,737,682	31,352,435	31,979,484
Total revenues	<u>30,737,682</u>	<u>31,352,435</u>	<u>31,979,484</u>
Expenditures			
Electric, telephone and water utilities	28,274,539	29,179,325	29,762,911
Capital Expenditures	3,761,741	3,836,976	3,913,715
Total expenditures	<u>32,036,280</u>	<u>33,016,300</u>	<u>33,676,626</u>
Ketchikan Public Utilities Fund Surplus	<u>(1,298,599)</u>	<u>(1,663,865)</u>	<u>(1,697,142)</u>

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	Year One 2006-07	Year Two 2007-08	Year Three 2008-09
Airport Fund			
Revenues			
Intergovernmental revenues			
Charges for services	3,435,791	3,504,507	3,574,597
Total revenues	<u>3,435,791</u>	<u>3,504,507</u>	<u>3,574,597</u>
Expenditures			
Transportation	3,612,047	3,727,633	3,802,185
Total expenditures	<u>3,612,047</u>	<u>3,727,633</u>	<u>3,802,185</u>
Airport Fund Surplus (Deficit)	<u>(176,256)</u>	<u>(223,126)</u>	<u>(227,588)</u>
Passenger Facilities			
Revenues			
Charges for services	474,369	488,600	503,258
Total revenues	<u>474,369</u>	<u>488,600</u>	<u>503,258</u>
Expenditures			
Public works - maintenance and operations	472,058	481,499	491,129
Total expenditures	<u>472,058</u>	<u>481,499</u>	<u>491,129</u>
Passenger Facilities Fund Surplus	<u>2,311</u>	<u>7,101</u>	<u>12,129</u>