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CHAPTER 09. INCORPORATION

Article 1. REQUIREMENTS

Sec. 29.09.010. INCORPORATION OF CITIES. (a) A community which meets the following standards may incorporate as a first class city:

(1) the community has 400 or more permanent residents;

(2) the boundaries of the proposed city include all areas necessary to provide municipal services on an efficient scale;

(3) the economy of the community includes the human and financial resources necessary to provide local services; in considering the economy of the community, the Local Boundary Commission shall consider property valuations, economic base, personal income, resource and commercial development, anticipated functions, and the expenses and income of the proposed city, including the ability of the community to generate local revenue;

(4) the population of the community is stable enough to support local government;

(5) there is a demonstrated need for local government.

(b) A community which meets all the standards established in (a) of this section except (a)(1) may incorporate as a second class city.

Sec. 29.09.020. LIMITATIONS ON INCORPORATION OF CITIES. (a) A community within the unorganized borough may not incorporate as a city if the services may be provided by annexation to an existing city.

(b) A community within an organized borough may not incorporate as a city if the services could be provided on an areawide or nonareawide basis by the borough in which it is located or by annexation to an existing city.

Sec. 29.09.030. ORGANIZED BOROUGHS. An area may incorporate as an organized borough if it conforms to the following standards:

(1) the population of the area is interrelated and integrated as to its social, cultural, and economic activities, and is large and stable enough to support organized borough government;

(2) the boundaries of the proposed borough conform generally to natural geography and include all areas necessary for full development of local services;

(3) the economy of the area includes the human and financial resources capable of providing local services; evaluation of an area's economy includes land use, property valuations, total economic base, total personal income, resource and commercial development, anticipated functions, expenses, and income of the proposed borough;

(4) land, water, and air transportation facilities allow the communication and exchange necessary for the development of integrated local government.

Article 2. PROCEDURES

Sec. 29.09.060. PETITION. Municipal incorporation is proposed by filing a petition with the Department of Community and Regional Affairs. The petition shall include the following information about the proposed municipality:

(1) class;

(2) name;

(3) boundaries;

(4) ~~[Effective until January 1, 1981] composition and apportionment of the assembly or council;~~ [Effective January 1, 1981] composition and apportionment of the ~~assembly or council~~ governing body;

(5) for a first class borough, a designation of areawide powers to be exercised;

(6) for a second class borough, a designation of areawide and nonareawide powers to be exercised.

(7) maps, documents, and other information required by the Department of Community and Regional Affairs;

(8) for first class city incorporation, the signatures and resident address of 50 permanent resident voters or of 15 percent of the permanent resident voters within the proposed municipality, whichever is greater, based on the number who voted in the area in the last general election;

(9) for second class city incorporation, the signature and resident address of 25 permanent resident voters or of 15 percent of the permanent resident voters within the proposed municipality, whichever is greater, based on the number who voted in the area in the last general election;

(10) for borough incorporation, the signature and resident address of 15 percent of the permanent resident voters in each first class city and 15 percent of voters in the area outside first class cities based on the number who voted in the respective areas in the last general election;

(11) for a city, a designation of the powers proposed by the petitioners to be exercised;

(12) a proposed operating budget for the municipality projecting sources of income and items of expenditure through the first full fiscal year of operation.

Sec. 29.09.070. REVIEW. The Department of Community and Regional Affairs shall review petitions for content and signatures and shall return deficient petitions for correction and completion.

Sec. 29.09.080. INVESTIGATION. (a) If the petition contains the required information and signatures, the Department of Community and Regional Affairs shall investigate the proposal.

(b) The department may combine petitions for incorporation from the same general area.

(c) The department shall hold at least one public hearing in the area proposed for incorporation.

Sec. 29.09.090. REPORT AND HEARING. (a) The Department of Community and Regional Affairs shall report its findings to the Local Boundary Commission with its recommendations regarding the incorporation.

(b) The Local Boundary Commission shall hold at least one public hearing in the area proposed to be incorporated for the purpose of receiving testimony and evidence on the proposal.

Sec. 29.09.100. DECISION ON BOROUGH INCORPORATION. (a) If the Local Boundary Commission determines that a proposed municipality fails to meet the standards for incorporation, it shall reject the petition. If the commission determines that the proposed municipality meets the standards, it shall accept the petition. If the commission determines that the proposed boundaries can be altered to meet the standards, it may alter the boundaries and accept the petition.

(b) A commission decision under this section may be appealed under the Administrative Procedure Act (AS 44.62).

Sec. 29.09.110. INCORPORATION ELECTION. (a) The Local Boundary Commission shall immediately notify the lieutenant governor of its acceptance of an incorporation petition. Within 30 days after notification, the lieutenant governor shall order an election in the proposed municipality to determine whether the voters desire incorporation and, if so, to elect the initial officers in the same election. If incorporation is rejected, no officers are elected. The election is held not less than 30 nor more than 90 days after the date of the election order. The election order must specify the dates during which nomination petitions for election of initial officers may be filed.

(b) An Alaska voter who has been a resident of the area within the proposed municipality for 30 days before the date of the election order may vote.

(c) Areawide borough powers included in the incorporation petition are considered to be part of the incorporation question. In an election for the incorporation of a second class borough, each power to be exercised outside cities only is placed separately on the ballot. Adoption of a nonareawide power requires a majority of the votes cast on the question, and the vote is limited to the voters residing outside cities.

(d) The lieutenant governor shall supervise the election in the general manner prescribed by the Alaska Election Code (AS 15.05 - 15.60). The state shall pay all election costs under this section.

Sec.29.09.120. ELECTION OF INITIAL OFFICERS (a) Repealed by Sec. 4 ch. 23 SLA 1976.

(b) Nominations for initial officers are made by petition. The petition is in the form prescribed by the lieutenant governor and includes the name and address of the nominee and a statement of the nominee that he is qualified under the provisions of this title for the office that he seeks. A person may file for and occupy more than one office, but he may not serve simultaneously as borough mayor and as a member of the borough assembly or as mayor and as a member of the council of a home rule or first class city. Petitions to nominate officers of a second class city must include the signature and resident address of 10 voters in the area of the proposed city. Petitions to nominate elected municipal officers must include the signature and resident address of 50 voters in the area of the proposed municipality, or that area of the proposed municipality from which the officers are to be elected under the composition and apportionment set out in the accepted incorporation petition.

(c) The lieutenant governor shall supervise the election in the general manner prescribed by the Alaska Election Code (AS 15.05 - 15.60). The state shall pay all election costs under (a) - (c) of this section.

(d) The initial elected municipal officials take office on the first Monday following certification of their election.

(e) The initial elected borough assembly and city council members shall determine by lot the length of their terms of office so that a proportionate number of terms expire each year, resulting in staggered terms of office for members subsequently elected.

Sec. 29.09.130. INTEGRATION OF SPECIAL DISTRICTS AND SERVICE AREAS. Service areas in a newly incorporated borough or city shall be integrated into the borough or city within two years after the date of incorporation. On integration the borough or city succeeds to all the rights, powers, duties, assets and liabilities of the service areas. After integration, the borough assembly or city council may exercise within a former service area all of the rights and powers exercised by the service area at the time of integration, and may levy and collect special charges, taxes, or assessments to amortize bonded indebtedness incurred by the service area or by a borough or city as successor to the service area. Upon integration no less than all property in the service area at the time of integration remains subject to taxation to pay the principal of and interest on the bonds. The provisions of this section apply to all organized boroughs whether incorporated or organized before or after September 10, 1972.

Sec. 29.09.140. TRANSITION. (a) The powers and functions exercised by home rule or general law cities and service areas which are succeeded to by a newly incorporated borough or city are exercised by them until the new borough or city assumes the powers and functions, which may not exceed two years after the date of incorporation. Ordinances, rules, resolutions, procedures, and orders in effect before the transfer remain in effect until superseded by the action of the new borough or city.

(b) The borough or city shall give written notice of its assumption of the powers, duties and other items enumerated in Secs. 130-140 of this chapter, to the city, and service area concerned before the assumption. Borough or city officials shall consult with the officials of the city and service area concerned, and arrange an orderly transfer.

(c) After the incorporation of a new borough or city, no service area within it may assume new bonded indebtedness, make any contract, or transfer any assets without the consent of the assembly or council.

Sec. 29.09.150. CHALLENGE OF LEGALITY. No person may challenge the formation of a municipality except within six months of the date of its incorporation.

Article 03. TRANSITIONAL ASSISTANCE

Sec. 29.09.180. ORGANIZATION GRANTS. (a) For the purpose of defraying the cost of transition to borough or city government and in order to provide for development and interim governmental operations, each borough and city incorporated after January 1, 1968, or, in the case of a second class city, incorporated or reclassified after January 1, 1968, other than a unified municipality incorporated under the provisions of (AS 29.85), or a municipality otherwise incorporated by consolidation, is entitled to an organization grant equal to $10 for every voter who voted in the borough or city incorporation election. However, each incorporated borough and each first class city incorporated or established by reclassification outside an organized borough is entitled to at least $25,000.

(b) Within 30 days after the date of incorporation of a borough or city after September 10, 1972, the Department of Community and Regional Affairs shall determine the number of voters in the borough or city who voted in the incorporation election.

(c) Within 30 days after the completion of its findings, or as soon thereafter as money is appropriated to it for the purpose, the Department of Community and Regional Affairs shall transmit to the borough or city the total amount of money to which the borough or city is entitled.

Proofed 12-30

CHAPTER 09. INCORPORATION

Article 1. REQUIREMENTS

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(4) the population of the community is stable enough to support local government;

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Sec. 29.09.020. LIMITATIONS ON INCORPORATION OF CITIES. (a) A community within the unorganized borough may not incorporate as a city if the services may be provided by annexation to an existing city.

(b) A community within an organized borough may not incorporate as a city if the services could be provided on an areawide or nonareawide basis by the borough in which it is located or by annexation to an existing city.

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(2) the boundaries of the proposed borough conform generally to natural geography and include all areas necessary for full development of local services;

(3) the economy of the area includes the human and financial resources capable of providing local services; evaluation of an area's economy includes land use, property valuations, total economic base, total personal income, resource and commercial development, anticipated functions, expenses, and income of the proposed borough;

(4) land, water, and air transportation facilities allow the communication and exchange necessary for the development of integrated local government.

Article 2. PROCEDURES

Sec. 29.09.050. PETITION. Municipal incorporation is proposed by filing a petition with the Department of Community and Regional Affairs. The petition shall include the following information about the proposed municipality:

(1) class;

(2) name;

(3) boundaries;

(4) [Effective until January 1, 1981] composition and apportionment of the assembly or council; [Effective January 1, 1981] composition and apportionment of the assembly or council;

(5) for a first class borough, a designation of areawide powers to be exercised;

(6) for a second class borough, a designation of areawide and nonareawide powers to be exercised;

(7) maps, documents, and other information required by the Department of Community and Regional Affairs;

(8) for first class city incorporation, the signatures and resident address of 50 permanent resident voters or of 15 percent of the permanent resident voters within the proposed municipality, whichever is greater, based on the number who voted in the area in the last general election;

(9) for second class city incorporation, the signature and resident address of 25 permanent resident voters or of 15 percent of the permanent resident voters within the proposed municipality, whichever is greater, based on the number who voted in the area in the last general election;

(10) for borough incorporation, the signature and resident address of 15 percent of the permanent resident voters in each first class city and 15 percent of voters in the area outside first class cities based on the number who voted in the respective areas in the last general election;

(11) for a city, a designation of the powers proposed by the petitioners to be exercised;

(12) a proposed operating budget for the municipality projecting sources of income and items of expenditure through the first full fiscal year of operation.

Sec. 29.09.070. REVIEW. The Department of Community and Regional Affairs shall review petitions for content and signatures and shall return deficient petitions for correction and completion.

Sec. 29.09.080. INVESTIGATION. (a) If the petition contains the required information and signatures, the Department of Community and Regional Affairs shall investigate the proposal.

(b) The department may combine petitions for incorporation from the same general area.

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(b) A commission decision under this section may be appealed under the Administrative Procedure Act (AS 44.62).

Sec. 29.09.110. INCORPORATION ELECTION. (a) The Local Boundary Commission shall immediately notify the lieutenant governor of its acceptance of an incorporation petition. Within 30 days after notification, the lieutenant governor shall order an election in the proposed municipality to determine whether the voters desire incorporation and, if so, to elect the initial officers in the same election. If incorporation is rejected, no officers are elected. The election is held not less than 30 nor more than 90 days after the date of the election order. The election order must specify the dates during which nomination petitions for election of initial officers may be filed.

(b) An Alaska voter who has been a resident of the area within the proposed municipality for 30 days before the date of the election order may vote.

(c) Areawide borough powers included in the incorporation petition are considered to be part of the incorporation question. In an election for the incorporation of a second class borough, each power to be exercised outside cities only is placed separately on the ballot. Adoption of a nonareawide power requires a majority of the votes cast on the question, and the vote is limited to the voters residing outside cities.

(d) The lieutenant governor shall supervise the election in the general manner prescribed by the Alaska Election Code (AS 15.05-15.60). The state shall pay all election costs under this section.

Sec.29.09.120. ELECTION OF INITIAL OFFICERS. (a) Repealed by Sec. 4 ch. 23 SLA 1976.

(b) Nominations for initial officers are made by petition. The petition is in the form prescribed by the lieutenant governor and includes the name and address of the nominee and a statement of the nominee that he is qualified under the provisions of this title for the office that he seeks. A person may file for and occupy more than one office, but he may not serve simultaneously as borough mayor and as a member of the borough assembly or as mayor and as a member of the council of a home rule or first class city. Petitions to nominate officers of a second class city must include the signature and resident address of 10 voters in the area of the proposed city. Petitions to nominate elected municipal officers must include the signature and resident address of 50 voters in the area of the proposed municipality, or that area of the proposed municipality from which the officers are to be elected under the composition and apportionment set out in the accepted incorporation petition.

(c) The lieutenant governor shall supervise the election in the general manner prescribed by the Alaska Election Code (AS 15.05 - 15.60). The state shall pay all election costs under (a) - (c) of this section.

(d) The initial elected municipal officials take office on the first Monday following certification of their election.

(e) The initial elected borough assembly and city council members shall determine by lot the length of their terms of office so that a proportionate number of terms expire each year, resulting in staggered terms of office for members subsequently elected.

Sec. 29.09.130. INTEGRATION OF SPECIAL DISTRICTS AND SERVICE AREAS. Service areas in a newly incorporated borough or city shall be integrated into the borough or city within two years after the date of incorporation. On integration the borough or city succeeds to all the rights, powers, duties, assets and liabilities of the service areas. After integration, the borough assembly or city council may exercise within a former service area all of the rights and powers exercised by the service area at the time of integration, and may levy and collect special charges, taxes, or assessments to amortize bonded indebtedness incurred by the service area or by a borough or city as successor to the service area. Upon integration no less than all property in the service area at the time of integration remains subject to taxation to pay the principal of and interest on the bonds. The provisions of this section apply to all organized boroughs whether incorporated or organized before or after September 10, 1972.

Sec. 29.09.140. TRANSITION. (a) The powers and functions exercised by home rule or general law cities and service areas which are succeeded to by a newly incorporated borough or city are exercised by them until the new borough or city assumes the powers and functions, which may not exceed two years after the date of incorporation. Ordinances, rules, resolutions, procedures, and orders in effect before the transfer remain in effect until superseded by the action of the new borough or city.

(b) The borough or city shall give written notice of its assumption of the powers, duties and other items enumerated in Secs. 130-140 of this chapter, to the city, and service area concerned before the assumption. Borough or city officials shall consult with the officials of the city and service area concerned, and arrange an orderly transfer.

(c) After the incorporation of a new borough or city, no service area within it may assume new bonded indebtedness, make any contract, or transfer any assets without the consent of the assembly or council.

Sec. 29.09.150. CHALLENGE OF LEGALITY. No person may challenge the formation of a municipality except within six months of the date of its incorporation.

Article 03. TRANSITIONAL ASSISTANCE

Sec. 29.09.180. ORGANIZATION GRANTS. (a) For the purpose of defraying the cost of transition to borough or city government and in order to provide for development and interim governmental operations, each borough and city incorporated after January 1, 1968, or, in the case of a second class city, incorporated or reclassified after January 1, 1968, other than a unified municipality incorporated under the provisions of (AS 29.85), or a municipality otherwise incorporated by consolidation, is entitled to an organization grant equal to $10 for every voter who voted in the borough or city incorporation election. However, each incorporated borough and each first class city incorporated or established by reclassification outside an organized borough is entitled to at least $25,000.

(b) Within 30 days after the date of incorporation of a borough or city after September 10, 1972, the Department of Community and Regional Affairs shall determine the number of voters in the borough or city who voted in the incorporation election.

(c) Within 30 days after the completion of its findings, or as soon thereafter as money is appropriated to it for the purpose, the Department of Community and Regional Affairs shall transmit to the borough or city the total amount of money to which the borough or city is entitled.

DRAFTED CHANGES RECOMMENDED BY TECHNICAL COMMITTEE - 10 OCTOBER 1980

Sec. 29.09.180. ORGANIZATION GRANTS. (a) For the purpose of defraying the cost of transition to a municipal form of government and in order to provide for initial government operations, each municipality incorporated after January 1, 1981, or, for a second class city, reclassified after January 1, 1981 is entitled to an organization grant of $150,000, except that a municipality which is merged, consolidated, or unified under AS 29.12. is not entitled to an organization grant.

Late Aft.
McCARTER: Discussion of dual majority.

EXPLANATION: Since no new municipality formed is likely to contain a great enough population to qualify for a grant over the minimum, the provision tying population to the amount of the grant has been eliminated in favor of a flat amount. The amount of the grant has been raised from $25,000 to $150,000 in recognition of the fact that setting up a government has become an expensive proposition and to encourage the formation of local governments despite this expense. In addition, a second class city will qualify to receive that grant as well as a city within an organized borough, whereas the existing law ties the amount of a grant to a second class city and to a first class city in an organized borough to its population. This change encourages the formation of local governments in rural areas where the population may be small. The formation of a city is expensive regardless of the size of the population. It is felt that the grant should be used to cover any initial government operation, so the terms "development and interim" were eliminated as unduly restrictive. The increased grant will be available only to a municipality formed after January 1, 1981.

CERA has own proposal for transitional assistance

Discussion

ON HOLD late 29th

Policy question - "seed money" for pre-incorporation?

MOTION: small group by Dimmick
Parr, Larson, Branson

CHAPTER 09. INCORPORATION

(CHAPTER 18. INCORPORATION)

Article 1. REQUIREMENTS

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Sec. 29.09.010. (Sec. 29.18.011.) INCORPORATION OF CITIES. (a) A community which meets the following standards may incorporate as a first class city:

(1) the community has 400 or more permanent residents;

(2) the boundaries of the proposed city include all areas necessary to provide municipal services on an efficient scale;

(3) the economy of the community includes the human and financial resources necessary to provide local services; in considering the economy of the community, the Local Boundary Commission shall consider property valuations, economic base, personal income, resource and commercial development, anticipated functions, and the expenses and income of the proposed city, including the ability of the community to generate local revenue;

(4) the population of the community is stable enough to support local government;

(5) there is a demonstrated need for local government.

(b) A community which meets all the standards established in (a) of this section except (a)(1) may incorporate as a second class city.

Sec. 29.09.020. (Sec. 29.18.021.) LIMITATIONS ON INCORPORATION OF CITIES. (a) A community within the unorganized borough may not incorporate as a city if the services may be provided by annexation to an existing city.

(b) A community within an organized borough may not incorporate as a city if the services could be provided on an areawide or nonareawide basis by the borough in which it is located or by annexation to an existing city.

Sec. 29.09.030. (Sec. 29.18.030.) ORGANIZED BOROUGHS. An area may incorporate as an organized borough if it conforms to the following standards:

(1) the population of the area is interrelated and integrated as to its social, cultural, and economic activities, and is large and stable enough to support organized borough government;

(2) the boundaries of the proposed borough conform generally to natural geography and include all areas necessary for full development of local services;

(3) the economy of the area includes the human and financial resources capable of providing local services; evaluation of an area's economy includes land use, property valuations, total economic base, total personal income, resource and commercial development, anticipated functions, expenses, and income of the proposed borough;

(4) land, water, and air transportation facilities allow the communication and exchange necessary for the development of integrated local government.

Article 2. PROCEDURES

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Sec. 29.09.060. (Sec. 29.18.050.) PETITION. Municipal incorporation is proposed by filing a petition with the Department of Community and Regional Affairs. The petition shall include the following information about the proposed municipality:

(1) class;

(2) name;

(3) boundaries;

(4) [Effective until January 1, 1981] composition and apportionment of the assembly or council; [Effective January 1, 1981] composition and apportionment of the assembly or council;

(5) for a first class borough, a designation of areawide powers to be exercised;

(6) for a second class borough, a designation of areawide and nonareawide powers to be exercised;

(7) maps, documents, and other information required by the Department of Community and Regional Affairs;

(8) for first class city incorporation, the signatures and resident address of 50 permanent resident voters or of 15 percent of the permanent resident voters within the proposed municipality, whichever is greater, based on the number who voted in the area in the last general election;

(9) for second class city incorporation, the signature and resident address of 25 permanent resident voters or of 15 percent of the permanent resident voters within the proposed municipality, whichever is greater, based on the number who voted in the area in the last general election;

(10) for borough incorporation, the signature and resident address of 15 percent of the permanent resident voters in each first class city and 15 percent of voters in the area outside first class cities based on the number who voted in the respective areas in the last general election;

(11) for a city, a designation of the powers proposed by the petitioners to be exercised;

(12) a proposed operating budget for the municipality projecting sources of income and items of expenditure through the first full fiscal year of operation.

Sec. 29.09.070. (Sec. 29.18.060.) REVIEW. The Department of Community and Regional Affairs shall review petitions for content and signatures and shall return deficient petitions for correction and completion.

Sec. 29.09.080. (Sec. 29.18.070.) INVESTIGATION. (a) If the petition contains the required information and signatures, the Department of Community and Regional Affairs shall investigate the proposal.

(b) The department may combine petitions for incorporation from the same general area.

(c) The department shall hold at least one public hearing in the area proposed for incorporation.

Sec. 29.09.090. (Sec. 29.18.080.) REPORT AND HEARING. (a) The Department of Community and Regional Affairs shall report its findings to the Local Boundary Commission with its recommendations regarding the incorporation.

(b) The Local Boundary Commission shall hold at least one public hearing in the area proposed to be incorporated for the purpose of receiving testimony and evidence on the proposal.

Sec. 29.09.100. (Sec. 29.18.090.) DECISION ON BOROUGH INCORPORATION. (a) If the Local Boundary Commission determines that a proposed municipality fails to meet the standards for incorporation, it shall reject the petition. If the commission determines that the proposed municipality meets the standards, it shall accept the petition. If the commission determines that the proposed boundaries can be altered to meet the standards, it may alter the boundaries and accept the petition.

(b) A commission decision under this section may be appealed under the Administrative Procedure Act (AS 44.62).

Sec. 29.09.110. (Sec. 29.18.110.) INCORPORATION ELECTION. (a) The Local Boundary Commission shall immediately notify the lieutenant governor of its acceptance of an incorporation petition. Within 30 days after notification, the lieutenant governor shall order an election in the proposed municipality to determine whether the voters desire incorporation and, if so, to elect the initial officers in the same election. If

incorporation is rejected, no officers are elected. The election is held not less than 30 nor more than 90 days after the date of the election order. The election order must specify the dates during which nomination petitions for election of initial officers may be filed.

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(d) The lieutenant governor shall supervise the election in the general manner prescribed by the Alaska Election Code (AS 15.05-15.60). The state shall pay all election costs under this section.

Sec.29.09.120. (Sec. 29.18.120.) ELECTION OF INITIAL OFFICERS (a) Repealed by Sec. 4 ch 23 SLA 1976.

(b) Nominations for initial officers are made by petition. The petition is in the form prescribed by the lieutenant governor and includes the name and address of the nominee and a statement of the nominee that he is qualified under the provisions of this title for the office that he seeks. A person may file for and occupy more than one office, but he may not serve simultaneously as borough mayor and as a member of the borough assembly or as mayor and as a member of the council of a home rule or first class city. Petitions to nominate officers of a second class city must include the signature and resident address of 10 voters in the area of the proposed city. Petitions to nominate elected municipal officers must include the signature and resident address of 50 voters in the area of the

proposed municipality, or that area of the proposed municipality from which the officers are to be elected under the composition and apportionment set out in the accepted incorporation petition.

(c) The lieutenant governor shall supervise the election in the general manner prescribed by the Alaska Election Code (AS 15.05 - 15.60). The state shall pay all election costs under (a) - (c) of this section.

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Sec. 29.09.140. (Sec. 29.18.140.) TRANSITION. (a) The powers and functions exercised by home rule or general law cities and service areas

which are succeeded to by a newly incorporated borough or city are exercised by them until the new borough or city assumes the powers and functions, which may not exceed two years after the date of incorporation. Ordinances, rules, resolutions, procedures, and orders in effect before the transfer remain in effect until superseded by the action of the new borough or city.

(b) The borough or city shall give written notice of its assumption of the powers, duties and other items enumerated in Secs. 130-140 of this chapter, to the city, and service area concerned before the assumption. Borough or city officials shall consult with the officials of the city and service area concerned, and arrange an orderly transfer.

(c) After the incorporation of a new borough or city, no service area within it may assume new bonded indebtedness, make any contract, or transfer any assets without the consent of the assembly or council.

Sec. 29.09.150. (Sec. 29.18.150.) CHALLENGE OF LEGALITY. No person may challenge the formation of a municipality except within six months of the date of its incorporation.

Article 03. TRANSITIONAL ASSISTANCE

(Article 03. TRANSITIONAL ASSISTANCE)

Sec. 29.09.180. (Sec. 29.18.180.) ORGANIZATION GRANTS. (a) For the purpose of defraying the cost of transition to borough or city government and in order to provide for development and interim governmental operations, each borough and city incorporated after January 1, 1968, or, in the case of a second class city, incorporated or reclassified after January 1, 1968, other than a unified municipality incorporated under the provisions of (AS 29.85), or a municipality otherwise incorporated by consolidation, is entitled to an organization grant equal to $10 for every voter who voted in the borough or city incorporation election. However, each incorporated borough and each first class city incorporated or established by reclassification outside an organized borough is entitled to at least $25,000.

(b) Within 30 days after the date of incorporation of a borough or city after September 10, 1972, the Department of Community and Regional Affairs shall determine the number of voters in the borough or city who voted in the incorporation election.

(c) Within 30 days after the completion of its findings, or as soon thereafter as money is appropriated to it for the purpose, the Department of Community and Regional Affairs shall transmit to the borough or city the total amount of money to which the borough or city is entitled.